FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

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

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

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

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

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

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

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

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

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of October 28, 2016 was 150,122,760.

FIRST REPUBLIC BANK
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 1,386,967	$ 1,131,110
Securities purchased under agreements to resell	100	100
Investment securities available-for-sale	1,710,571	2,910,801
Investment securities held-to-maturity (fair value of $11,734,311 and $7,893,024 at September 30, 2016 and December 31, 2015, respectively)	11,094,535	7,540,678
Loans	49,858,815	44,083,569
Less: Allowance for loan losses	(296,105)	(261,058)
Loans, net	49,562,710	43,822,511
Loans held for sale	514,291	48,681
Investments in life insurance	1,266,194	1,168,596
Tax credit investments	1,071,255	1,006,836
Prepaid expenses and other assets	845,229	817,410
Premises, equipment and leasehold improvements, net	190,213	172,008
Goodwill	171,616	171,616
Other intangible assets	118,238	137,400
Mortgage servicing rights	60,432	53,538
Other real estate owned	1,196	—
Total Assets	$ 67,993,547	$ 58,981,285
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 20,965,249	$ 18,252,007
Interest-bearing checking	12,747,952	12,027,363
Money market checking	8,381,381	5,756,821
Money market savings and passbooks	8,126,741	7,270,396
Certificates of deposit	4,840,374	4,586,878
Total Deposits	55,061,697	47,893,465
Short-term borrowings	200,000	100,000
Long-term FHLB advances	4,600,000	4,000,000
Senior notes	397,755	397,159
Subordinated notes	387,329	—
Debt related to variable interest entities	26,981	29,643
Other liabilities	875,287	855,335
Total Liabilities	61,549,049	53,275,602
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 1,139,525 and 989,525 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1,139,525	989,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 150,108,710 and 146,109,790 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1,501	1,461
Additional paid-in capital	2,962,355	2,770,265
Retained earnings	2,322,296	1,949,652
Accumulated other comprehensive income (loss)	18,821	(5,220)
Total Shareholders' Equity	6,444,498	5,705,683
Total Liabilities and Shareholders' Equity	$ 67,993,547	$ 58,981,285

See accompanying notes to financial statements.

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

($ in thousands, except per share amounts)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Interest income:				
Loans	$ 403,299	$ 348,367	$ 1,154,980	$ 1,004,208
Investments	94,684	70,578	271,725	191,349
Other	3,701	5,392	9,447	23,767
Cash and cash equivalents	2,630	1,691	7,127	3,562
Total interest income	504,314	426,028	1,443,279	1,222,886
Interest expense:				
Deposits	19,661	15,903	52,559	44,434
Borrowings	24,049	21,244	64,183	66,488
Total interest expense	43,710	37,147	116,742	110,922
Net interest income	460,604	388,881	1,326,537	1,111,964
Provision for loan losses	18,000	14,502	36,692	43,394
Net interest income after provision for loan losses	442,604	374,379	1,289,845	1,068,570
Noninterest income:				
Investment management fees	56,843	44,211	164,771	128,924
Brokerage and investment fees	6,627	3,899	21,717	12,005
Trust fees	3,015	2,600	8,991	7,486
Foreign exchange fee income	5,460	5,933	16,022	16,104
Deposit fees	5,278	4,898	15,358	14,397
Gain on sale of loans	1,785	2,957	4,010	8,245
Loan servicing fees, net	3,182	3,135	10,443	9,288
Loan and related fees	3,709	3,083	10,447	9,232
Income from investments in life insurance	12,065	8,555	30,604	26,185
Gain (loss) on investment securities, net	(663)	(76)	2,418	1,336
Other income (loss)	(30)	552	1,197	1,700
Total noninterest income	97,271	79,747	285,978	234,902
Noninterest expense:				
Salaries and employee benefits	193,340	149,463	562,538	428,169
Information systems	38,917	31,564	110,124	85,698
Occupancy	30,945	26,531	86,862	79,636
Professional fees	12,466	16,974	37,942	56,535
FDIC assessments	11,800	8,700	31,200	25,750
Advertising and marketing	7,169	6,167	22,616	17,945
Amortization of intangibles	6,116	4,731	19,163	14,827
Other expenses	36,983	31,767	106,567	86,125
Total noninterest expense	337,736	275,897	977,012	794,685
Income before provision for income taxes	202,139	178,229	598,811	508,787
Provision for income taxes	30,321	43,387	104,501	126,688
Net income	171,818	134,842	494,310	382,099
Dividends on preferred stock	17,377	15,314	51,213	43,614
Net income available to common shareholders	$ 154,441	$ 119,528	$ 443,097	$ 338,485
Net income	$ 171,818	$ 134,842	$ 494,310	$ 382,099
Other comprehensive income, net of tax:				
Net unrealized gain on securities available-for-sale	5,148	10,735	26,315	10,560
Reclassification of (gain) loss on securities available-for-sale to net income	381	44	(1,386)	(768)
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(418)	—	(888)	—
Reclassification of loss on cash flow hedges to net income	—	—	—	19
Other comprehensive income	5,111	10,779	24,041	9,811
Comprehensive income	$ 176,929	$ 145,621	$ 518,351	$ 391,910
Basic earnings per common share	$ 1.03	$ 0.84	$ 3.00	$ 2.40
Diluted earnings per common share	$ 1.00	$ 0.82	$ 2.90	$ 2.34
Dividends per common share	$ 0.16	$ 0.15	$ 0.47	$ 0.44

See accompanying notes to financial statements.

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

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2014	**138,268,849**	**$ 889,525**	**$ 1,383**	**$ 2,313,592**	**$ 1,570,871**	**$ 3,096**	**$ 4,778,467**
Net income	—	—	—	—	382,099	—	382,099
Other comprehensive income	—	—	—	—	—	9,811	9,811
Issuance of preferred stock, net	—	100,000	—	(3,408)	—	—	96,592
Issuance of common stock, net	3,500,000	—	35	203,238	—	—	203,273
Stock compensation expense	—	—	—	24,727	—	—	24,727
Net issuance of common stock under stock plans	707,706	—	7	(23,911)	—	—	(23,904)
Excess tax benefits on stock compensation	—	—	—	19,475	—	—	19,475
Dividends on preferred stock	—	—	—	—	(43,614)	—	(43,614)
Dividends on common stock	—	—	—	—	(62,752)	—	(62,752)
Balance at September 30, 2015	**142,476,555**	**$ 989,525**	**$ 1,425**	**$ 2,533,713**	**$ 1,846,604**	**$ 12,907**	**$ 5,384,174**
Balance at December 31, 2015	**146,109,790**	**$ 989,525**	**$ 1,461**	**$ 2,770,265**	**$ 1,949,652**	**$ (5,220)**	**$ 5,705,683**
Net income	—	—	—	—	494,310	—	494,310
Other comprehensive income	—	—	—	—	—	24,041	24,041
Issuance of preferred stock, net	—	150,000	—	(4,816)	—	—	145,184
Issuance of common stock, net	2,875,000	—	29	202,200	—	—	202,229
Stock compensation expense	—	—	—	40,276	—	—	40,276
Net issuance of common stock under stock plans	1,123,920	—	11	(45,570)	—	—	(45,559)
Dividends on preferred stock	—	—	—	—	(51,213)	—	(51,213)
Dividends on common stock	—	—	—	—	(70,453)	—	(70,453)
Balance at September 30, 2016	**150,108,710**	**$ 1,139,525**	**$ 1,501**	**$ 2,962,355**	**$ 2,322,296**	**$ 18,821**	**$ 6,444,498**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Nine Months Ended September 30, 2016	2015
Operating Activities:		
Net income	$ 494,310	$ 382,099
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	36,692	43,394
Accretion of loan discounts	(22,761)	(33,493)
Depreciation and amortization	50,979	42,033
Amortization of mortgage servicing rights	9,783	9,631
Loans originated for sale	(574,456)	(568,777)
Proceeds from sales and principal repayments of loans held for sale	486,851	636,503
Deferred income taxes	(12,890)	(12,007)
Gain on sale of loans	(4,010)	(8,245)
Gain on investment securities, net	(2,418)	(1,336)
Other net (gains) losses	911	(4)
Noncash cost of stock plans	40,276	24,727
Excess tax benefits on stock compensation	—	(19,475)
Decrease in other assets	29,095	2,172
Increase in other liabilities	13,163	35,813
Net Cash Provided by Operating Activities	545,525	533,035
Investing Activities:		
Loan originations, net of principal collections	(8,015,272)	(5,990,384)
Loans purchased	(189,939)	(89,775)
Loans sold	1,876,225	1,445,669
Purchases of securities available-for-sale	(864,818)	(1,126,227)
Proceeds from sales of securities available-for-sale	1,419,407	900,285
Proceeds from paydowns of securities available-for-sale	93,247	128,717
Purchases of securities held-to-maturity	(4,026,842)	(1,900,363)
Proceeds from sales, calls and paydowns of securities held-to-maturity	1,256,311	577,683
Purchases of FHLB stock	(83,160)	—
Proceeds from redemptions of FHLB stock	72,293	102,766
Purchases of investments in life insurance	(71,151)	(19,975)
Net change in tax credit investments	(133,947)	(119,566)
Additions to premises, equipment and leasehold improvements, net	(56,840)	(30,949)
Proceeds from sales of other assets	—	16
Net Cash Used for Investing Activities	(8,724,486)	(6,122,103)
Financing Activities:		
Net increase in deposits	7,169,989	7,208,562
Net increase in short-term borrowings	100,000	100,000
Proceeds from long-term FHLB advances	1,250,000	—
Repayment of long-term FHLB advances	(650,000)	(925,000)
Proceeds from issuance of subordinated notes	391,748	—
Payment of subordinated notes issuance costs	(4,453)	—
Decrease in debt related to variable interest entities	(2,662)	(5,323)
Net proceeds from issuance of preferred stock	145,184	96,592
Net proceeds from issuance of common stock	202,229	203,273
Proceeds from issuance of common stock under employee stock purchase plan	5,902	4,274
Proceeds from stock options exercised	131	167
Excess tax benefits on stock compensation	—	19,475
Payments of employee taxes withheld from share-based awards	(51,584)	(27,956)
Dividends on preferred stock	(51,213)	(43,614)
Dividends on common stock	(70,453)	(62,752)
Net Cash Provided by Financing Activities	8,434,818	6,567,698
Increase in Cash and Cash Equivalents	255,857	978,630
Cash and Cash Equivalents at the Beginning of Period	1,131,110	817,150
Cash and Cash Equivalents at the End of Period	$ 1,386,967	$ 1,795,780
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 113,581	$ 108,593
Income taxes	$ 49,605	$ 68,348
Transfer of loans to held for sale	$ 2,266,990	$ 1,499,268
Transfer of loans to securities available-for-sale	$ 182,787	$ 76,763
Transfer of securities from available-for-sale to held-to-maturity	$ 781,165	$ —
Transfer of repossessed assets from loans to other assets	$ 1,307	$ 2,541

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 31 years and the current legal entity has been operating since July 1, 2010.

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

The accompanying consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Bank's financial position and results of operations. All such adjustments were of a normal and recurring nature. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q adopted by the FDIC. These consolidated financial statements are intended to be read in conjunction with the Bank's consolidated financial statements, and notes thereto, for the year ended December 31, 2015, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2015 Form 10-K"). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Nature of Operations

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

First Republic originates real estate secured loans and other loans. Real estate secured loans are secured by single family residences, multifamily buildings and commercial real estate properties and loans to construct such properties. Most of the real estate loans that First Republic originates are secured by properties located close to one of its offices in the San Francisco Bay Area, the Los Angeles area, San Diego, Boston or the New York City area. First Republic originates business loans, loans secured by securities and other types of collateral and personal unsecured loans primarily to meet the non-mortgage needs of First Republic's clients. 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, fixed income, balanced and alternative investments for its clients. First Republic Trust Company, a division of First Republic, and FRTC Delaware, provide trust and custody services. FRSC is a registered broker-dealer that performs brokerage and investment activities for clients. The Bank offers money market mutual funds to clients through third-party providers and also conducts foreign exchange activities on behalf of customers.

Use of Estimates

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

Reclassifications

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

Accounting Standards Adopted in 2016

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

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

The amendments are effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. Any adjustments from the amendments are required to be applied as of the beginning of the year of adoption. The Bank adopted this new guidance during the quarter ended June 30, 2016, and has retroactively applied the guidance effective as of January 1, 2016. None of the amendments under ASC 718 resulted in a cumulative effect adjustment to retained earnings as of January 1, 2016.

The following table presents the impact of changes to the Bank's statement of cash flows for the nine months ended September 30, 2015, as a result of changes due to the adoption of ASC 718 in presentation for cash paid by an employer to taxing authorities when withholding shares for tax withholding purposes:

	Nine Months Ended September 30, 2015	
($ in thousands)	**As Previously Reported**	**As Reported Under New Guidance**
Statement of Cash Flows		
Net cash provided by operating activities	$ 505,079	$ 533,035
Net cash provided by financing activities	$ 6,595,654	$ 6,567,698

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

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

- In February 2015, the FASB issued amendments to ASC 810, "Consolidation," which revises existing consolidation guidance and requires all entities to be re-evaluated under this new model. The new consolidation model revises the conditions required for consolidation, including what is considered a variable interest, the criteria that a limited partnership or similar entity must meet to be considered a variable interest entity, and the criteria for determination of the primary beneficiary. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied on a modified retrospective or full retrospective basis. The adoption of this guidance did not have an impact on the Bank's consolidated financial statements.

- In April 2015, the FASB issued amendments to ASC 350-40, "Internal-Use Software—Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which establishes criteria for determining whether a cloud computing service (hosting arrangement) contains a software license. If a software license exists, fees related to the license are capitalized and amortized over the estimated useful life of the software. If a software license does not exist, the fees are expensed over the service period. In addition, the amendments require all software licenses to be capitalized and amortized over the estimated useful life of the software. The amendments are effective for interim and annual periods beginning after December 15, 2015 and the Bank has applied this guidance prospectively. The adoption of this guidance did not have a significant impact on the Bank's consolidated financial statements.

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

Recent Accounting Standards

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

- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. The guidance is effective for public companies for interim and annual periods beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. ASC 606 is applied on either a modified retrospective or full retrospective basis. The Bank is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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

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

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

- In March 2016, the FASB issued amendments to ASC 323-10, "Investments—Equity Method and Joint Ventures," which simplifies how the equity method of accounting is applied when this method of accounting is triggered subsequent to the initial acquisition of an investment due to changes in ownership interests or other factors. The amendments require an investor to apply the equity method of accounting prospectively. Previously, such change in accounting was required to be applied retrospectively. The amendments are effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Bank's consolidated financial statements.

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

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

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

- In August 2016, the FASB issued amendments to ASC 230, "Classification of Certain Cash Receipts and Cash Payments," which adds or clarifies guidance on how entities should classify certain cash receipts and payments on the statement of cash flows to reduce diversity in practice on how certain transactions are classified. The amendments provide guidance regarding the presentation of items such as: payments for debt prepayment or debt extinguishment costs, proceeds from the settlement of insurance claims, proceeds from investments in life insurance, and distributions received from equity method investees. In addition, the amendments provide a three step approach for classifying cash receipts and payments that may fall within more than one cash flow category. This guidance is effective for public companies for interim and annual periods beginning after December 15, 2017 and is applied retrospectively, unless retrospective application is not practical. Early adoption is permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its consolidated statements of cash flows.

Note 2. Investment Securities

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

($ in thousands)	September 30, 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury securities	$ 111,814	$ —	$ (61)	$ 111,753
Agency residential mortgage-backed securities (“MBS”)	53,808	663	(232)	54,239
Other residential MBS	8,107	—	(197)	7,910
Agency commercial MBS	1,463,415	24,777	—	1,488,192
Securities of U.S. states and political subdivisions—taxable	47,245	305	—	47,550
Marketable equity securities	480	447	—	927
Total	$ 1,684,869	$ 26,192	$ (490)	$ 1,710,571
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 944,977	$ 1,328	$ (21)	$ 946,284
Agency residential MBS	1,688,912	35,589	—	1,724,501
Other residential MBS	1,904	50	(43)	1,911
Agency commercial MBS	2,086,735	34,003	(92)	2,120,646
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	6,166,106	559,062	(10,429)	6,714,739
Tax-exempt nonprofit debentures	152,848	6,528	—	159,376
Taxable municipal securities	53,053	13,801	—	66,854
Total	$ 11,094,535	$ 650,361	$ (10,585)	$ 11,734,311

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

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

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the "FHLB") to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At September 30, 2016 and December 31, 2015, the carrying value of investment securities pledged was $5.7 billion and $3.7 billion, respectively, of which $351.1 million and $362.5 million of collateral was required to be pledged under such arrangements as of September 30, 2016 and December 31, 2015, respectively.

In addition, as of September 30, 2016, held-to-maturity tax-exempt municipal securities with a carrying value of $103.2 million and a fair value of $113.8 million have been sold under an agreement to repurchase (the "repurchase agreement"). These investment securities are pledged as collateral under this agreement, which is accounted for as a secured borrowing. The liability for the securities sold under the repurchase agreement was $100.0 million as of September 30, 2016, and matures in the second quarter of 2017. The Bank has nominal credit risk under this arrangement because of the requirement that the Bank maintain a specified collateral amount with its counterparty, which incorporates an agreed-upon level of overcollateralization. The Bank monitors the fair value of these investment securities and, if required, the amount of investment securities held as collateral by the counterparty is adjusted to meet the minimum required under the arrangement.

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

	September 30, 2016						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
U.S. Treasury securities	$ (61)	$ 111,753	$ —	$ —	$ (61)	$ 111,753	2
Agency residential MBS	(128)	20,408	(104)	8,438	(232)	28,846	25
Other residential MBS	—	—	(197)	7,910	(197)	7,910	3
Total	$ (189)	$ 132,161	$ (301)	$ 16,348	$ (490)	$ 148,509	30
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (16)	$ 154,984	$ (5)	$ 49,995	$ (21)	$ 204,979	6
Other residential MBS	—	—	(43)	1,339	(43)	1,339	4
Agency commercial MBS	(92)	50,662	—	—	(92)	50,662	2
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(10,429)	573,378	—	—	(10,429)	573,378	55
Total	$ (10,537)	$ 779,024	$ (48)	$ 51,334	$ (10,585)	$ 830,358	67

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

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

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

Tax-Exempt Municipal Securities. At September 30, 2016, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the increase 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.

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

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

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

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Available-for-sale:				
Sales proceeds	$ 66,774	$ 6,331	$ 1,419,407	$ 900,285
Held-to-maturity:				
Sales proceeds	$ —	$ —	$ 8,614	$ —

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

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Available-for-sale:				
Gross realized gains on sales	$ 43	$ —	$ 5,073	$ 2,181
Gross realized losses on sales	(706)	(76)	(2,663)	(845)
Held-to-maturity:				
Gross realized gains on sales	—	—	8	—
Total gain (loss) on investment securities, net	$ (663)	$ (76)	$ 2,418	$ 1,336

The following table presents interest income on investment securities:

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Interest income on tax-exempt securities	$ 57,320	$ 44,082	$ 160,679	$ 119,824
Interest income on taxable securities	37,364	26,496	111,046	71,525
Total	$ 94,684	$ 70,578	$ 271,725	$ 191,349

The following table presents contractual maturities of debt securities available-for-sale and held-to-maturity. 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 their mortgage obligations, with or without penalties, prior to contractual maturity.

	September 30, 2016		December 31, 2015	
($ in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Available-for-sale:				
Due in one year or less	$ 46	$ 46	$ 50,112	$ 50,037
Due after one year through five years	122,505	122,629	105,919	105,701
Due after five years through ten years	567,346	569,351	255,889	254,833
Due after ten years	994,492	1,017,618	2,507,479	2,499,551
Total debt securities	$ 1,684,389	$ 1,709,644	$ 2,919,399	$ 2,910,122
Held-to-maturity:				
Due in one year or less	$ 126,305	$ 127,866	$ 33,550	$ 34,186
Due after one year through five years	274,273	298,271	139,352	151,446
Due after five years through ten years	391,833	402,099	700,021	699,998
Due after ten years	10,302,124	10,906,075	6,667,755	7,007,394
Total debt securities	$ 11,094,535	$ 11,734,311	$ 7,540,678	$ 7,893,024

Note 3. Loans and Allowance for Loan Losses

Loan Profile

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At September 30, 2016, approximately 51% of the total loan portfolio was secured by California real estate, compared to 53% at December 31, 2015. At September 30, 2016, approximately 71% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 70% at December 31, 2015.

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

($ in thousands)	September 30, 2016 Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Single family (1-4 units)	$ 24,923,746	$ (59,153)	$ 76,250	$ 24,940,843
Home equity lines of credit	2,575,253	(5,156)	16,778	2,586,875
Multifamily (5+ units)	6,227,304	(4,579)	(7,785)	6,214,940
Commercial real estate	5,205,888	(12,300)	(9,404)	5,184,184
Single family construction	496,357	(177)	(1,753)	494,427
Multifamily/commercial construction	847,303	(59)	(6,223)	841,021
Total real estate mortgages	40,275,851	(81,424)	67,863	40,262,290
Business	7,128,758	(4,024)	(11,365)	7,113,369
Stock secured	871,195	—	1,197	872,392
Other secured	684,328	(27)	411	684,712
Unsecured	925,066	(170)	1,156	926,052
Total other loans	9,609,347	(4,221)	(8,601)	9,596,525
Total loans	$ 49,885,198	$ (85,645)	$ 59,262	$ 49,858,815
Less:				
Allowance for loan losses				(296,105)
Loans, net				49,562,710
Single family loans held for sale				514,291
Total				$ 50,077,001

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

The Bank had pledged $26.4 billion and $24.9 billion of loans to secure borrowings of $4.7 billion and $4.0 billion from the FHLB as of September 30, 2016 and December 31, 2015, respectively, although only approximately $5.3 billion and $4.5 billion of collateral, respectively, was required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At September 30, 2016 and December 31, 2015, purchased credit-impaired loans subject to ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," had an unpaid principal balance of $61.3 million and $64.0 million, respectively, and a carrying value of $57.6 million and $59.0 million, respectively.

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

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Accretable yield:				
Balance at beginning of period	$ 5,262	$ 7,323	$ 5,890	$ 8,073
Accretion	(938)	(1,385)	(3,302)	(4,194)
Reclassification from nonaccretable difference for loans with improving cash flows	—	—	808	337
Increase in expected cash flows	827	1,572	2,226	3,573
Resolutions/payments in full	(53)	(418)	(524)	(697)
Balance at end of period	$ 5,098	$ 7,092	$ 5,098	$ 7,092

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Allowance:				
Balance at beginning of period	$ —	$ 62	$ 20	$ 168
Provision	128	—	129	30
Reversal of provision	—	(43)	(21)	(193)
Recoveries	1	7	1	21
Balance at end of period	$ 129	$ 26	$ 129	$ 26

Credit Quality

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of September 30, 2016 and December 31, 2015. Of the loans on nonaccrual status, at September 30, 2016, $32.5 million were current, compared to $35.5 million at December 31, 2015.

The Bank has five classes of loans: (1) purchased non-impaired; (2) purchased non-impaired that subsequently became impaired under ASC 310-10-35, "Receivables—Subsequent Measurement;" (3) purchased credit-impaired; (4) loans originated after June 30, 2010 that are not impaired; and (5) loans originated after June 30, 2010 that are impaired under ASC 310-10-35.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At September 30, 2016								
Single Family (1-4 units):								
Purchased non-impaired	$ 1,467	$ —	$ 499	$ 1,966	$ 1,946,238	$ 1,948,204	$ 499	$ 1,324
Purchased non-impaired that subsequently became impaired	—	—	7,869	7,869	13,620	21,489	—	17,634
Purchased credit-impaired	—	—	—	—	9,389	9,389	—	—
Originated post June 30, 2010 non-impaired	9,925	176	1,538	11,639	22,941,880	22,953,519	1,538	—
Originated post June 30, 2010 impaired	—	—	6,355	6,355	1,887	8,242	—	6,876
	11,392	176	16,261	27,829	24,913,014	24,940,843	2,037	25,834
Home Equity Lines of Credit:								
Purchased non-impaired	518	—	1,321	1,839	323,106	324,945	229	1,281
Purchased non-impaired that subsequently became impaired	1,543	2,000	2,856	6,399	3,561	9,960	—	5,483
Purchased credit-impaired	—	—	—	—	931	931	—	—
Originated post June 30, 2010 non-impaired	—	—	817	817	2,246,979	2,247,796	817	—
Originated post June 30, 2010 impaired	—	—	493	493	2,750	3,243	—	3,243
	2,061	2,000	5,487	9,548	2,577,327	2,586,875	1,046	10,007
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	161,308	161,308	—	—
Purchased credit-impaired	—	—	—	—	16,826	16,826	—	—
Originated post June 30, 2010 non-impaired	14	—	—	14	6,032,213	6,032,227	—	—
Originated post June 30, 2010 impaired	—	—	—	—	4,579	4,579	—	4,579
	14	—	—	14	6,214,926	6,214,940	—	4,579
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	290,389	290,389	—	—
Purchased credit-impaired	—	—	—	—	11,788	11,788	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	4,882,007	4,882,007	—	310
	—	—	—	—	5,184,184	5,184,184	—	310
Single Family Construction:								
Purchased non-impaired	—	—	—	—	2,923	2,923	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	491,504	491,504	—	—
	—	—	—	—	494,427	494,427	—	—

Loan Aging *(continued):*

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At September 30, 2016								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,166	1,166	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	839,855	839,855	—	—
	—	—	—	—	841,021	841,021	—	—
Business:								
Purchased non-impaired	—	—	—	—	233,514	233,514	—	1,365
Purchased credit-impaired	—	—	—	—	18,095	18,095	—	1,380
Originated post June 30, 2010 non-impaired	—	—	—	—	6,854,415	6,854,415	—	1,540
Originated post June 30, 2010 impaired	—	—	—	—	7,345	7,345	—	7,345
	—	—	—	—	7,113,369	7,113,369	—	11,630
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,264	4,264	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	868,128	868,128	—	—
	—	—	—	—	872,392	872,392	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	12,580	12,580	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	672,132	672,132	—	—
	—	—	—	—	684,712	684,712	—	—
Unsecured:								
Purchased non-impaired	4	—	—	4	25,976	25,980	—	399
Purchased credit-impaired	—	—	—	—	554	554	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	899,518	899,518	—	—
	4	—	—	4	926,048	926,052	—	399
Total	$ 13,471	$ 2,176	$ 21,748	$ 37,395	$ 49,821,420	$ 49,858,815	$ 3,083	$ 52,759

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2015								
Single Family (1-4 units):								
Purchased non-impaired	$ 453	$ 2,320	$ 1,009	$ 3,782	$ 2,249,283	$ 2,253,065	$ —	$ 1,249
Purchased non-impaired that subsequently became impaired	—	—	4,327	4,327	18,290	22,617	—	15,596
Purchased credit-impaired	—	—	—	—	10,436	10,436	—	—
Originated post June 30, 2010 non-impaired	2,560	10,862	4,200	17,622	20,778,745	20,796,367	4,199	—
Originated post June 30, 2010 impaired	—	—	3,940	3,940	1,910	5,850	—	4,485
	3,013	13,182	13,476	29,671	23,058,664	23,088,335	4,199	21,330
Home Equity Lines of Credit:								
Purchased non-impaired	762	—	442	1,204	424,590	425,794	—	442
Purchased non-impaired that subsequently became impaired	—	3,008	1,678	4,686	5,079	9,765	—	8,009
Purchased credit-impaired	—	—	—	—	1,114	1,114	—	—
Originated post June 30, 2010 non-impaired	502	501	—	1,003	1,937,458	1,938,461	—	—
Originated post June 30, 2010 impaired	—	—	—	—	2,760	2,760	—	2,760
	1,264	3,509	2,120	6,893	2,371,001	2,377,894	—	11,211
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	239,770	239,770	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,714	2,714	—	706
Purchased credit-impaired	—	—	—	—	19,104	19,104	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	5,087,933	5,087,933	—	2,704
Originated post June 30, 2010 impaired	—	—	370	370	5,614	5,984	—	5,280
	—	—	370	370	5,355,135	5,355,505	—	8,690
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	374,109	374,109	—	—
Purchased non-impaired that subsequently became impaired	5,519	—	—	5,519	733	6,252	—	5,519
Purchased credit-impaired	—	—	—	—	12,584	12,584	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	4,042,688	4,042,688	—	—
	5,519	—	—	5,519	4,430,114	4,435,633	—	5,519
Single Family Construction:								
Purchased non-impaired	—	—	—	—	3,733	3,733	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	430,662	430,662	—	—
	—	—	—	—	434,395	434,395	—	—

Loan Aging *(continued):*

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2015								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,163	1,163	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	673,895	673,895	—	—
Originated post June 30, 2010 impaired	—	—	11,600	11,600	—	11,600	—	11,600
	—	—	11,600	11,600	675,058	686,658	—	11,600
Business:								
Purchased non-impaired	—	—	—	—	279,188	279,188	—	608
Purchased credit-impaired	—	—	—	—	15,253	15,253	—	1,730
Originated post June 30, 2010 non-impaired	440	—	—	440	5,908,971	5,909,411	—	290
Originated post June 30, 2010 impaired	—	—	6,136	6,136	7,187	13,323	—	12,098
	440	—	6,136	6,576	6,210,599	6,217,175	—	14,726
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,283	4,283	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	517,706	517,706	—	—
	—	—	—	—	521,989	521,989	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	12,909	12,909	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	529,034	529,034	—	—
	—	—	—	—	541,943	541,943	—	—
Unsecured:								
Purchased non-impaired	23	27	—	50	27,869	27,919	—	469
Purchased credit-impaired	—	—	—	—	549	549	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	395,574	395,574	—	—
	23	27	—	50	423,992	424,042	—	469
Total	$ 10,259	$ 16,718	$ 33,702	$ 60,679	$ 44,022,890	$ 44,083,569	$ 4,199	$ 73,545

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Actual interest income recognized	$ —	$ 18	$ —	$ 50
Interest income under original terms	$ 557	$ 551	$ 1,597	$ 1,434

In accordance with our procedures, we perform annual reviews of our larger multifamily, commercial real estate and commercial business loans. For loans that are criticized or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. The Bank's internal loan grades apply to all loans and are as follows:

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

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

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

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

The following tables present the recorded investment in loans, by credit quality indicator and by class, at September 30, 2016 and December 31, 2015:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At September 30, 2016					
Single Family (1-4 units):					
Purchased non-impaired	$ 1,931,373	$ 2,993	$ 13,838	$ —	$ 1,948,204
Purchased non-impaired that subsequently became impaired	3,854	—	17,635	—	21,489
Purchased credit-impaired	9,389	—	—	—	9,389
Originated post June 30, 2010 non-impaired	22,936,532	1,990	14,997	—	22,953,519
Originated post June 30, 2010 impaired	1,366	—	6,876	—	8,242
	24,882,514	4,983	53,346	—	24,940,843
Home Equity Lines of Credit:					
Purchased non-impaired	319,162	1,806	3,977	—	324,945
Purchased non-impaired that subsequently became impaired	802	2,000	7,158	—	9,960
Purchased credit-impaired	931	—	—	—	931
Originated post June 30, 2010 non-impaired	2,246,979	449	368	—	2,247,796
Originated post June 30, 2010 impaired	—	—	3,243	—	3,243
	2,567,874	4,255	14,746	—	2,586,875
Multifamily (5+ units):					
Purchased non-impaired	161,143	—	165	—	161,308
Purchased credit-impaired	11,680	5,146	—	—	16,826
Originated post June 30, 2010 non-impaired	6,012,771	17,985	1,471	—	6,032,227
Originated post June 30, 2010 impaired	—	—	4,579	—	4,579
	6,185,594	23,131	6,215	—	6,214,940
Commercial Real Estate:					
Purchased non-impaired	272,311	988	17,090	—	290,389
Purchased credit-impaired	11,000	—	788	—	11,788
Originated post June 30, 2010 non-impaired	4,850,104	22,376	9,527	—	4,882,007
	5,133,415	23,364	27,405	—	5,184,184
Single Family Construction:					
Purchased non-impaired	—	—	2,923	—	2,923
Originated post June 30, 2010 non-impaired	491,504	—	—	—	491,504
	491,504	—	2,923	—	494,427
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,166	—	1,166
Originated post June 30, 2010 non-impaired	838,619	1,236	—	—	839,855
	838,619	1,236	1,166	—	841,021
Business:					
Purchased non-impaired	217,262	4,433	11,254	565	233,514
Purchased credit-impaired	15,027	1,690	1,378	—	18,095
Originated post June 30, 2010 non-impaired	6,846,626	3,651	3,824	314	6,854,415
Originated post June 30, 2010 impaired	—	—	7,345	—	7,345
	7,078,915	9,774	23,801	879	7,113,369
Stock Secured:					
Purchased non-impaired	4,264	—	—	—	4,264
Originated post June 30, 2010 non-impaired	867,492	636	—	—	868,128
	871,756	636	—	—	872,392
Other Secured:					
Purchased non-impaired	12,580	—	—	—	12,580
Originated post June 30, 2010 non-impaired	672,132	—	—	—	672,132
	684,712	—	—	—	684,712
Unsecured:					
Purchased non-impaired	25,581	—	—	399	25,980
Purchased credit-impaired	536	—	18	—	554
Originated post June 30, 2010 non-impaired	898,249	—	1,269	—	899,518
	924,366	—	1,287	399	926,052
Total	$ 49,659,269	$ 67,379	$ 130,889	$ 1,278	$ 49,858,815

Credit Quality Indicators:

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

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

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

The carrying amount of residential mortgage loans in the process of foreclosure was $3.9 million and $4.9 million at September 30, 2016 and December 31, 2015, respectively.

Allowance for Loan Losses

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

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

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

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

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

The 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 uses qualitative factors that are intended to address developing external and internal environmental trends and include considerations, such as changes in current economic and business conditions, the nature and volume of the Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, and other external factors, such as competition and the legal and regulatory environment. As of September 30, 2016, the unallocated qualitative reserve was allocated to the individual loan portfolios. The allocation considered 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, segregated by impairment method and by portfolio:

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Business	Stock Secured	Other Secured	Unsecured	Unallocated	Total
At or for the Quarter Ended September 30, 2016												
Allowance for loan losses:												
Beginning balance	$ 29,119	$ 6,312	$ 28,019	$ 28,394	$ 669	$ 4,435	$ 88,907	$ 2,717	$ 7,588	$ 13,060	$ 69,511	$ 278,731
Provision (reversal of provision) and allocation of qualitative reserve	8,305	5,357	20,261	16,525	1,350	3,442	36,622	2,535	(2,208)	(4,678)	(69,511)	18,000
Charge-offs	(389)	(229)	—	—	—	—	(67)	—	—	—	—	(685)
Recoveries	7	26	—	—	—	—	17	—	—	9	—	59
Ending balance	$ 37,042	$ 11,466	$ 48,280	$ 44,919	$ 2,019	$ 7,877	$ 125,479	$ 5,252	$ 5,380	$ 8,391	$ —	$ 296,105
At or for the Nine Months Ended September 30, 2016												
Allowance for loan losses:												
Beginning balance	$ 27,614	$ 5,530	$ 25,416	$ 24,690	$ 644	$ 4,218	$ 92,568	$ 1,809	$ 6,610	$ 6,918	$ 65,041	$ 261,058
Provision (reversal of provision) and allocation of qualitative reserve	10,827	6,130	22,864	20,229	1,375	3,659	32,973	3,443	(1,230)	1,463	(65,041)	36,692
Charge-offs	(1,413)	(272)	—	—	—	—	(93)	—	—	(19)	—	(1,797)
Recoveries	14	78	—	—	—	—	31	—	—	29	—	152
Ending balance	$ 37,042	$ 11,466	$ 48,280	$ 44,919	$ 2,019	$ 7,877	$ 125,479	$ 5,252	$ 5,380	$ 8,391	$ —	$ 296,105
Ending balance: purchased loans evaluated collectively for impairment	$ 737	$ 440	$ 13	$ 1,060	$ 133	$ 2	$ 2,362	$ —	$ —	$ 399	$ —	$ 5,146
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ —	$ 62	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 62
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ 129	$ —	$ —	$ —	$ —	$ 129
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 36,305	$ 10,915	$ 48,267	$ 43,859	$ 1,886	$ 7,875	$ 122,988	$ 5,252	$ 5,380	$ 7,992	$ —	$ 290,719
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ —	$ 49	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 49
Loans:												
Ending balance	$ 24,940,843	$ 2,586,875	$ 6,214,940	$ 5,184,184	$ 494,427	$ 841,021	$ 7,113,369	$ 872,392	$ 684,712	$ 926,052		$ 49,858,815
Ending balance: purchased loans collectively evaluated for impairment	$ 1,948,204	$ 324,945	$ 161,308	$ 290,389	$ 2,923	$ 1,166	$ 233,514	$ 4,264	$ 12,580	$ 25,980		$ 3,005,273
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ 21,489	$ 9,960	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —		$ 31,449
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ 9,389	$ 931	$ 16,826	$ 11,788	$ —	$ —	$ 18,095	$ —	$ —	$ 554		$ 57,583
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 22,953,519	$ 2,247,796	$ 6,032,227	$ 4,882,007	$ 491,504	$ 839,855	$ 6,854,415	$ 868,128	$ 672,132	$ 899,518		$ 46,741,101
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ 8,242	$ 3,243	$ 4,579	$ —	$ —	$ —	$ 7,345	$ —	$ —	$ —		$ 23,409

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Business	Stock Secured	Other Secured	Unsecured	Unallocated	Total
At or for the Quarter Ended September 30, 2015												
Allowance for loan losses:												
Beginning balance	$ 26,137	$ 5,275	$ 23,599	$ 22,726	$ 650	$ 4,216	$ 83,058	$ 6,364	$ 1,286	$ 5,092	$ 57,465	$ 235,868
Provision	307	171	876	1,566	17	934	6,274	253	173	818	3,113	14,502
Charge-offs	(70)	—	—	—	—	—	—	—	—	(4)	—	(74)
Recoveries	2	28	—	—	—	—	14	—	—	68	—	112
Ending balance	$ 26,376	$ 5,474	$ 24,475	$ 24,292	$ 667	$ 5,150	$ 89,346	$ 6,617	$ 1,459	$ 5,974	$ 60,578	$ 250,408
At or for the Nine Months Ended September 30, 2015												
Allowance for loan losses:												
Beginning balance	$ 24,855	$ 5,344	$ 21,800	$ 19,891	$ 618	$ 2,941	$ 71,805	$ 5,081	$ 984	$ 4,145	$ 49,878	$ 207,342
Provision	1,589	299	2,675	4,401	49	2,209	17,594	1,536	475	1,867	10,700	43,394
Charge-offs	(70)	(197)	—	—	—	—	(95)	—	—	(166)	—	(528)
Recoveries	2	28	—	—	—	—	42	—	—	128	—	200
Ending balance	$ 26,376	$ 5,474	$ 24,475	$ 24,292	$ 667	$ 5,150	$ 89,346	$ 6,617	$ 1,459	$ 5,974	$ 60,578	$ 250,408
Ending balance: purchased loans evaluated collectively for impairment	$ 828	$ 505	$ 131	$ 1,345	$ 114	$ —	$ 2,136	$ —	$ —	$ 506	$ —	$ 5,565
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ 148	$ 269	$ 5	$ 12	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 434
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ 26	$ —	$ —	$ —	$ —	$ 26
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 25,400	$ 4,695	$ 24,339	$ 22,935	$ 553	$ 5,150	$ 85,419	$ 6,617	$ 1,459	$ 5,468	$ 60,578	$ 242,613
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ —	$ 5	$ —	$ —	$ —	$ —	$ 1,765	$ —	$ —	$ —	$ —	$ 1,770
Loans:												
Ending balance	$ 22,258,869	$ 2,322,462	$ 5,194,629	$ 4,321,961	$ 462,917	$ 639,167	$ 5,821,698	$ 546,621	$ 421,814	$ 361,407		$ 42,351,545
Ending balance: purchased loans collectively evaluated for impairment	$ 2,356,539	$ 457,066	$ 257,965	$ 402,379	$ 3,626	$ 1,091	$ 256,090	$ 17,153	$ 4,308	$ 32,401		$ 3,788,618
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ 22,902	$ 6,841	$ 2,724	$ 6,306	$ —	$ —	$ —	$ —	$ —	$ —		$ 38,773
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ 10,576	$ 3,521	$ 19,716	$ 21,357	$ —	$ —	$ 19,425	$ —	$ —	$ 556		$ 75,151
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 19,862,994	$ 1,852,275	$ 4,908,195	$ 3,891,919	$ 459,291	$ 638,076	$ 5,539,383	$ 529,468	$ 417,506	$ 328,450		$ 38,427,557
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ 5,858	$ 2,759	$ 6,029	$ —	$ —	$ —	$ 6,800	$ —	$ —	$ —		$ 21,446

The Bank evaluates reserves on unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, business lines of credit and secured/unsecured lines of credit. In determining the level of reserve, the Bank determines the probability of funding for each portfolio segment based on historical utilization statistics specific to that portfolio segment. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $11.5 million and $12.4 million at September 30, 2016 and December 31, 2015, respectively.

The following table presents charge-off and allowance ratios:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Average total loans for the period	$ 48,547,087	$ 41,880,671	$ 46,430,456	$ 39,882,205
Total loans at period end	$ 49,858,815	$ 42,351,545	$ 49,858,815	$ 42,351,545
Ratios:				
Net charge-offs (recoveries) to:				
Average total loans (annualized)	0.01%	0.00%	0.00%	0.00%
Allowance for loan losses to:				
Total loans	0.59%	0.59%	0.59%	0.59%
Nonaccrual loans	561.2%	481.7%	561.2%	481.7%

Impaired Loans

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

Impaired Loans:

	Quarter Ended September 30, 2016		Nine Months Ended September 30, 2016		At September 30, 2016						
					Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):											
Purchased credit-impaired	$ 9,385	$ 134	$ 10,019	$ 428	$ 9,389	$ 10,055	$ 9,389	$ 10,055	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	21,035	33	21,349	141	21,489	22,010	17,234	17,607	4,255	4,403	—
Originated post June 30, 2010 impaired	8,246	12	7,706	24	8,242	8,206	8,242	8,206	—	—	—
	38,666	179	39,074	593	39,120	40,271	34,865	35,868	4,255	4,403	—
Home Equity Lines of Credit:											
Purchased credit-impaired	1,149	25	1,187	74	931	1,016	931	1,016	—	—	—
Purchased non-impaired that subsequently became impaired	8,721	32	9,246	93	9,960	10,027	7,516	7,560	2,444	2,467	62
Originated post June 30, 2010 impaired	3,243	—	3,102	3	3,243	3,286	2,750	2,793	493	493	49
	13,113	57	13,535	170	14,134	14,329	11,197	11,369	2,937	2,960	111
Multifamily (5+ units):											
Purchased credit-impaired	17,544	310	18,390	991	16,826	17,504	16,826	17,504	—	—	—
Purchased non-impaired that subsequently became impaired	75	—	371	—	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	5,323	—	5,884	—	4,579	4,579	4,579	4,579		—	—
	22,942	310	24,645	991	21,405	22,083	21,405	22,083	—	—	—
Commercial Real Estate:											
Purchased credit-impaired	11,811	208	12,125	1,042	11,788	12,454	11,788	12,454	—	—	—
Purchased non-impaired that subsequently became impaired	1,371	—	4,941	43	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	519	5	627	19	—	—			—	—	—
	13,701	213	17,693	1,104	11,788	12,454	11,788	12,454	—	—	—
Multifamily/Commercial Construction:											
Originated post June 30, 2010 impaired	—	—	2,160	—	—	—	—	—	—	—	—
Business:											
Purchased credit-impaired	15,560	278	15,318	776	18,095	19,601	16,405	17,866	1,690	1,735	129
Originated post June 30, 2010 impaired	8,483	—	10,077	90	7,345	7,346	7,345	7,346	—	—	—
	24,043	278	25,395	866	25,440	26,947	23,750	25,212	1,690	1,735	129
Unsecured:											
Purchased credit-impaired	554	13	553	44	554	715	554	715	—	—	—
Total	$ 113,019	$ 1,050	$ 123,055	$ 3,768	$ 112,441	$ 116,799	$ 103,559	$ 107,701	$ 8,882	$ 9,098	$ 240

Impaired Loans:

	At December 31, 2015						
	Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):							
Purchased credit-impaired	$ 10,436	$ 11,270	$ 10,436	$ 11,270	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	22,617	23,191	15,128	15,515	7,489	7,676	2
Originated post June 30, 2010 impaired	5,850	5,829	5,850	5,829	—	—	—
	38,903	40,290	31,414	32,614	7,489	7,676	2
Home Equity Lines of Credit:							
Purchased credit-impaired	1,114	1,233	1,114	1,233	—	—	—
Purchased non-impaired that subsequently became impaired	9,765	9,877	2,826	2,882	6,939	6,995	246
Originated post June 30, 2010 impaired	2,760	2,803	1,966	1,993	794	810	5
	13,639	13,913	5,906	6,108	7,733	7,805	251
Multifamily (5+ units):							
Purchased credit-impaired	19,104	19,967	19,104	19,967	—	—	—
Purchased non-impaired that subsequently became impaired	2,714	2,729	705	705	2,009	2,024	20
Originated post June 30, 2010 impaired	5,984	5,987	5,984	5,987	—	—	—
	27,802	28,683	25,793	26,659	2,009	2,024	20
Commercial Real Estate:							
Purchased credit-impaired	12,584	13,791	12,584	13,791	—	—	—
Purchased non-impaired that subsequently became impaired	6,252	6,254	5,519	5,519	733	735	16
	18,836	20,045	18,103	19,310	733	735	16
Multifamily/Commercial Construction:							
Originated post June 30, 2010 impaired	11,600	11,600	11,600	11,600	—	—	—
Business:							
Purchased credit-impaired	15,253	17,055	15,236	16,478	17	577	20
Originated post June 30, 2010 impaired	13,323	13,402	11,769	11,776	1,554	1,626	244
	28,576	30,457	27,005	28,254	1,571	2,203	264
Unsecured:							
Purchased credit-impaired	549	723	549	723	—	—	—
Total	$ 139,905	$ 145,711	$ 120,370	$ 125,268	$ 19,535	$ 20,443	$ 553

Impaired Loans:

($ in thousands)	Quarter Ended September 30, 2015 Average Recorded Investment	Quarter Ended September 30, 2015 Interest Income Recognized	Nine Months Ended September 30, 2015 Average Recorded Investment	Nine Months Ended September 30, 2015 Interest Income Recognized
Single Family (1-4 units):				
Purchased credit-impaired	$ 10,561	$ 168	$ 10,698	$ 531
Purchased non-impaired that subsequently became impaired	24,284	115	25,258	287
Originated post June 30, 2010 impaired	7,708	1	6,171	32
	42,553	284	42,127	850
Home Equity Lines of Credit:				
Purchased credit-impaired	3,511	51	3,768	175
Purchased non-impaired that subsequently became impaired	8,509	29	9,054	68
Originated post June 30, 2010 impaired	2,910	—	5,337	—
	14,930	80	18,159	243
Multifamily (5+ units):				
Purchased credit-impaired	19,813	320	20,027	984
Purchased non-impaired that subsequently became impaired	2,728	40	1,912	90
Originated post June 30, 2010 impaired	3,562	7	2,093	22
	26,103	367	24,032	1,096
Commercial Real Estate:				
Purchased credit-impaired	23,589	597	24,946	1,603
Purchased non-impaired that subsequently became impaired	6,456	11	6,268	25
	30,045	608	31,214	1,628
Business:				
Purchased credit-impaired	19,942	249	21,076	917
Originated post June 30, 2010 impaired	6,970	—	3,965	1
	26,912	249	25,041	918
Unsecured:				
Purchased credit-impaired	559	9	567	27
Originated post June 30, 2010 impaired	—	—	100	—
	559	9	667	27
Total	$ 141,102	$ 1,597	$ 141,240	$ 4,762

Troubled Debt Restructurings

The Bank restructures loans generally because of the borrower's financial difficulties, by granting concessions to reduce the interest rate or to defer payments. Loans that have been modified in troubled debt restructurings are generally reported as nonaccrual loans until at least six consecutive payments are received and the loan meets the Bank's other criteria for returning to accrual status. The following table summarizes our loans modified by troubled debt restructurings, by portfolio segment and class:

Troubled Debt Restructurings:

	At September 30, 2016			At December 31, 2015		
($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
Single Family (1-4 units):						
Purchased non-impaired that subsequently became impaired	$ 6,785	$ 3,854	$ 10,639	$ 9,229	$ 4,021	$ 13,250
Purchased credit-impaired	—	2,863	2,863	—	2,762	2,762
Originated post June 30, 2010 impaired	—	1,366	1,366	—	1,366	1,366
	6,785	8,083	14,868	9,229	8,149	17,378
Home Equity Lines of Credit:						
Purchased non-impaired	—	267	267	—	267	267
Purchased non-impaired that subsequently became impaired	250	4,475	4,725	2,365	1,756	4,121
Purchased credit-impaired	—	123	123	—	134	134
Originated post June 30, 2010 impaired	2,750	—	2,750	2,760	—	2,760
	3,000	4,865	7,865	5,125	2,157	7,282
Multifamily (5+ units):						
Purchased non-impaired	—	297	297	—	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	706	2,009	2,715
Purchased credit-impaired	—	500	500	—	876	876
Originated post June 30, 2010 impaired	—	—	—	370	—	370
	—	797	797	1,076	2,885	3,961
Commercial Real Estate:						
Purchased non-impaired	—	223	223	—	225	225
Purchased non-impaired that subsequently became impaired	—	—	—	5,519	610	6,129
	—	223	223	5,519	835	6,354
Business:						
Purchased credit-impaired	1,380	—	1,380	1,729	17	1,746
Originated post June 30, 2010 impaired	4,708	—	4,708	292	—	292
	6,088	—	6,088	2,021	17	2,038
Total	$ 15,873	$ 13,968	$ 29,841	$ 22,970	$ 14,043	$ 37,013

During the quarter and nine months ended September 30, 2016 and 2015, 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 summarizes the recorded investment in loans modified in troubled debt restructurings, by portfolio segment and by class, for modifications during the periods indicated:

Troubled Debt Restructurings:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Single Family (1-4 units):				
Purchased non-impaired	$ —	$ 750	$ —	$ 750
Home Equity Lines of Credit:				
Purchased non-impaired	1,997	—	1,997	—
Multifamily (5+ units):				
Purchased non-impaired	—	—	—	747
Business:				
Originated post June 30, 2010 impaired	—	—	4,799	—
Total	$ 1,997	$ 750	$ 6,796	$ 1,497

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

Note 4. Mortgage Banking Activities

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Total loans originated	$ 6,475,899	$ 4,865,418	$ 17,786,572	$ 14,962,491
Single family loans originated	$ 2,805,361	$ 1,863,396	$ 7,551,306	$ 5,998,303
Loans sold:				
Flow sales	$ 230,699	$ 161,175	$ 444,345	$ 521,150
Bulk sales	717,256	438,562	1,902,075	1,540,507
Total loans sold	$ 947,955	$ 599,737	$ 2,346,420	$ 2,061,657
Gain on sale of loans:				
Amount	$ 1,785	$ 2,957	$ 4,010	$ 8,245
Gain as a percentage of loans sold	0.19%	0.49%	0.17%	0.40%

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

($ in thousands)	At or for the Quarter Ended September 30, 2016	At or for the Quarter Ended September 30, 2015	At or for the Nine Months Ended September 30, 2016	At or for the Nine Months Ended September 30, 2015
Loans serviced for others:				
Beginning balance	$ 11,060,626	$ 10,304,968	$ 10,531,418	$ 9,590,361
Loans sold	947,955	599,737	2,346,420	2,061,657
Repayments	(513,869)	(353,781)	(1,379,203)	(1,090,779)
Loans purchased	—	—	(3,923)	(4,125)
Loans repurchased	(1,085)	(1,245)	(1,085)	(7,435)
Ending balance	$ 11,493,627	$ 10,549,679	$ 11,493,627	$ 10,549,679
MSRs:				
Beginning balance	$ 57,203	$ 52,685	$ 53,538	$ 49,023
Additions due to new loans sold	7,056	4,289	16,698	14,246
Amortization expense	(3,821)	(3,378)	(9,783)	(9,631)
Reductions due to purchases	—	—	(15)	(3)
Reductions due to repurchases	(6)	(8)	(6)	(47)
Ending balance	$ 60,432	$ 53,588	$ 60,432	$ 53,588
Estimated fair value of MSRs	$ 79,192	$ 79,905	$ 79,192	$ 79,905
MSRs as a percent of loans serviced	0.53%	0.51%	0.53%	0.51%
Weighted average servicing fee collected for the period (annualized)	0.25%	0.25%	0.25%	0.25%
MSRs as a multiple of weighted average servicing fee	2.08x	2.00x	2.09x	2.00x

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

The following table presents loan servicing fees:

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Contractually specified servicing fees	$ 7,003	$ 6,513	$ 20,226	$ 18,919
Late charges and ancillary fees, net of costs	$ 1,032	$ 906	$ 2,884	$ 2,834

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)	September 30, 2016	December 31, 2015
Fair value of MSRs	$ 79,192	$ 80,604
Weighted average prepayment speed (CPR)	14.6%	12.4%
Impact on fair value of 10% adverse change	$ (4,281)	$ (4,057)
Impact on fair value of 20% adverse change	$ (8,087)	$ (7,725)
Weighted average discount rate	13.0%	12.5%
Impact on fair value of 10% adverse change	$ (2,797)	$ (2,981)
Impact on fair value of 20% adverse change	$ (5,402)	$ (5,752)

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

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

Note 5. Variable Interest Entities

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

The Bank has variable interests in several VIEs related to First Republic REMICs that were formed in 2000 through 2002. The Bank has purchased various tranches of these securitizations. As of September 30, 2016 and December 31, 2015, the Bank consolidated four of the REMICs for which it is the primary beneficiary and also held variable interests of less significance in one other REMIC sponsored by the Bank, which is not consolidated. The debt holders of the REMICs have no recourse to the Bank.

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

In addition, as of September 30, 2016 and December 31, 2015, the Bank has variable interests in other investments, which are accounted for under the cost method and are not consolidated. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these interests.

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

	September 30, 2016		
	VIEs		
($ in thousands)	**Not consolidated**	**Consolidated**	**Total**
Assets:			
Investment securities held-to-maturity	$ 1,904	$ —	$ 1,904
Loans	—	50,311	50,311
Tax credit investments	1,071,255	—	1,071,255
Other investments	6,932	—	6,932
Total Assets	1,080,091	50,311	1,130,402
Liabilities:			
Debt	—	26,981	26,981
Unfunded commitments—tax credit investments	497,302	—	497,302
Unfunded commitments—other investments	3,718	—	3,718
Total Liabilities	501,020	26,981	528,001
Net Assets	$ 579,071	$ 23,330	$ 602,401

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

The Bank's exposure to loss with respect to VIEs that are not consolidated would be equal to the Bank's investment in these assets of $1.1 billion at September 30, 2016 and $1.0 billion at December 31, 2015.

Note 6. Goodwill and Other Intangible Assets

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

	September 30, 2016			December 31, 2015		
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Intangible assets:						
Customer relationship intangibles	$ 133,100	$ (70,243)	$ 62,857	$ 133,100	$ (56,507)	$ 76,593
Core deposit intangibles	87,550	(75,069)	12,481	87,550	(69,643)	17,907
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets (excluding MSRs)	$ 263,550	$ (145,312)	$ 118,238	$ 263,550	$ (126,150)	$ 137,400
MSRs, before valuation allowance	$ 111,298	$ (50,866)	$ 60,432	$ 94,799	$ (41,261)	$ 53,538
Goodwill	$ 171,616			$ 171,616		

The following table presents goodwill by business segment:

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

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

($ in thousands)	Customer relationship intangibles	Core deposit intangibles	MSRs
October 1 - December 31, 2016	$ 4,247	$ 1,592	$ 3,822
2017	15,343	5,282	13,020
2018	12,703	3,545	10,026
2019	10,063	1,809	7,720
2020	7,504	253	5,944
2021	5,527	—	4,577

Note 7. Borrowings

The Bank has historically used FHLB advances primarily as a funding source for long-term borrowings, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased, securities sold under agreements to repurchase, senior notes and subordinated notes. Short-term borrowings have an original maturity of one year or less. Long-term debt has an original maturity in excess of one year. The following table presents the carrying values, interest expense and components of short-term borrowings and long-term debt:

	Carrying Values		Interest Expense			
			Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	September 30, 2016	December 31, 2015	2016	2015	2016	2015
Short-term borrowings:						
Federal funds purchased	$ —	$ —	$ —	$ —	$ 11	$ 5
FHLB advances	100,000	—	86	—	1,641	119
Securities sold under agreements to repurchase	100,000	100,000	429	321	1,192	425
Total	200,000	100,000	515	321	2,844	549
Long-term debt:						
FHLB advances	4,600,000	4,000,000	17,924	18,230	50,314	57,841
Senior notes	397,755	397,159	2,575	2,570	7,720	7,705
Subordinated notes	387,329	—	2,951	—	2,951	—
Total	5,385,084	4,397,159	23,450	20,800	60,985	65,546
Other long-term debt:						
Debt related to VIEs	26,981	29,643	84	123	354	393
Total borrowings	$ 5,612,065	$ 4,526,802	$ 24,049	$ 21,244	$ 64,183	$ 66,488

Securities Sold under Agreements to Repurchase

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

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At September 30, 2016, the Bank had short-term FHLB advances of $100.0 million. At September 30, 2016, all of the long-term FHLB advances were fixed-rate for a specific term. At September 30, 2016, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

($ in thousands)	September 30, 2016	
FHLB advances maturing in:	Amount	Rate
October 1 - December 31, 2016	$ 300,000	1.03%
2017	1,450,000	1.49%
2018	1,475,000	1.61%
2019	1,175,000	1.38%
2020	—	—%
2021	200,000	1.50%
Total	$ 4,600,000	1.47%

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $145.9 million and $135.1 million at September 30, 2016 and December 31, 2015, respectively. At September 30, 2016 and December 31, 2015, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

Senior Notes

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

Subordinated Notes

The Bank issued $400 million of unsecured subordinated notes on August 1, 2016, which qualify as Tier 2 capital. The subordinated notes bear a contractual fixed interest rate of 4.375% and mature on August 1, 2046. The carrying value of the subordinated notes is net of unamortized issuance discounts and deferred issuance costs. The issuance discounts and deferred issuance costs are amortized into interest expense over the contractual life of the subordinated notes using a level yield methodology.

Note 8. Derivative Financial Instruments

In accordance with ASC 815, the Bank recognizes all derivatives on the balance sheet at fair value. The Bank has elected to present its derivative assets and derivative liabilities on a gross basis on its balance sheet. The Bank accounts for changes in the fair value of a derivative depending on the intended use of the derivative and its resulting designation under specified criteria. The Bank currently does not have any derivatives designated as hedging instruments.

The Bank has derivative assets and liabilities consisting of foreign exchange contracts executed with customers. In these transactions, the Bank offsets the customer exposure with another financial institution counterparty, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The Bank does retain credit risk, both to the customer and the financial institution counterparty, which is evaluated and managed by the Bank in the normal course of its operations. Management does not currently anticipate non-performance by any of the counterparties. The amounts presented in the table below include the foreign exchange contracts with both the customers and the financial institution counterparties.

The Bank also creates derivative instruments when it enters into interest rate lock commitments for single family mortgage loans that will be sold to investors. The Bank's interest rate risk exposure to these commitments is not significant as these derivatives are economically hedged with forward commitments to sell the loans to investors.

The following table presents the total notional or contractual amounts and fair values of derivatives:

($ in thousands)	September 30, 2016 Notional or Contractual Amount	September 30, 2016 Fair value: Derivative Assets [(1)]	September 30, 2016 Fair value: Derivative Liabilities [(2)]	December 31, 2015 Notional or Contractual Amount	December 31, 2015 Fair value: Derivative Assets [(1)]	December 31, 2015 Fair value: Derivative Liabilities [(2)]
Foreign exchange contracts	$ 2,168,722	$ 33,010	$ 30,302	$ 1,790,232	$ 40,093	$ 39,535
Interest rate contracts with borrowers	$ 197,203	522	5	$ 83,349	—	149
Forward loan sale commitments	$ 709,478	10	527	$ 131,819	149	—
Total		$ 33,542	$ 30,834		$ 40,242	$ 39,684

(1) Included in prepaid expenses and other assets on the balance sheet.

(2) Included in other liabilities on the balance sheet.

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

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

($ in thousands)	Total: Gross Amounts Recognized	Contracts Not Subject to Master Netting Arrangements: Gross Amounts Recognized	Contracts Subject to Master Netting Arrangements: Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Derivative Amount	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral [(1)]	Net Amount
September 30, 2016								
Derivative assets:								
Foreign exchange contracts	$ 33,010	$ 14,026	$ 18,984	$ —	$ 18,984	$ 17,230	$ 1,754	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 30,302	$ 13,072	$ 17,230	$ —	$ 17,230	$ 17,230	$ —	$ —
December 31, 2015								
Derivative assets:								
Foreign exchange contracts	$ 40,093	$ 24,464	$ 15,629	$ —	$ 15,629	$ 15,629	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 39,535	$ 14,101	$ 25,434	$ —	$ 25,434	$ 15,629	$ 9,805	$ —

(1) Cash collateral presented in the table above is limited to the amount required to settle the net derivative position and does not include any excess collateral.

Note 9. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale and derivative instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, which typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets. Nonrecurring fair value adjustments of loans held for sale, MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of real estate secured mortgages represent a write-down based on the fair value of the underlying collateral of the loan, adjusted for certain factors such as estimated costs to sell and current market conditions.

Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions that are matters of judgment. Changes in the assumptions used could significantly affect these estimates. The Bank has not adjusted fair values estimated and presented at September 30, 2016 and December 31, 2015 to reflect subsequent changes in market conditions; therefore, estimates presented herein are not necessarily indicative of amounts that could be realized in a current transaction.

The estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses.

Fair Value Hierarchy

Under ASC 820, "Fair Value Measurement," the Bank groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Under ASC 820, the Bank bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Bank's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820.

Recurring Fair Value Measurements

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

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

Derivative financial instruments: Derivative assets and liabilities consist of foreign exchange contracts, interest rate lock commitments and forward loan sale commitments. The Bank uses current market prices to determine the fair value of foreign exchange contracts. The fair values of interest rate lock commitments and forward loan sale commitments are estimated using analysis based on current market prices.

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

	Fair Value Measurements on a Recurring Basis September 30, 2016			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	$ 111,753	$ —	$ —	$ 111,753
Agency residential MBS	—	54,239	—	54,239
Other residential MBS	—	7,910	—	7,910
Agency commercial MBS	—	1,488,192	—	1,488,192
Securities of U.S. states and political subdivisions—taxable	—	—	47,550	47,550
Marketable equity securities	927	—	—	927
Derivative assets	—	33,542	—	33,542
Total	$ 112,680	$ 1,583,883	$ 47,550	$ 1,744,113
Liabilities:				
Derivative liabilities	$ —	$ 30,834	$ —	$ 30,834

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

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

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

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Available-for-sale securities of U.S. states and political subdivisions—taxable:				
Balance at beginning of period	$ 47,459	$ 47,450	$ 47,436	$ 47,521
Unrealized gains included in other comprehensive income	89	103	108	28
Accretion included in interest income	2	1	6	5
Balance at end of period	$ 47,550	$ 47,554	$ 47,550	$ 47,554

There were no transfers in or out of Level 3 assets measured on a recurring basis during the quarter and nine months ended September 30, 2016 and 2015.

Nonrecurring Fair Value Measurements

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

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

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

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

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

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

	Fair Value Measurements on a Nonrecurring Basis September 30, 2016			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$ —	$ —	$ 8,214	$ 8,214
Other real estate owned	—	1,196	—	1,196
Total	$ —	$ 1,196	$ 8,214	$ 9,410

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

The following table presents losses related to nonrecurring fair value measurements. The losses relate to assets held on the balance sheet at each respective period end.

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Assets:				
Real estate secured mortgages	$ (327)	$ (11)	$ (395)	$ (11)
Other real estate owned	—	—	(197)	—
Total	$ (327)	$ (11)	$ (592)	$ (11)

Level 3 Inputs

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

	September 30, 2016			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,550	Discounted cash flow	Liquidity risk yield premium	50 bps

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

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

Fair Value of Financial Instruments

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

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

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

Held-to-maturity investment securities: The Bank uses quoted prices obtained through third-party valuation sources for its held-to-maturity securities. Management reviews the valuation techniques and assumptions used by the providers and determines that widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured are utilized. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Loans: To estimate fair value of the Bank's loans, which are primarily adjustable-rate and intermediate-fixed rate real estate secured mortgages, the Bank segments each loan collateral type into categories based on fixed or adjustable interest rate terms (index, margin, current rate and time to next adjustment), maturity and estimated credit risk.

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

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

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

Investments in life insurance: The carrying amount of investments in life insurance reflects the total cash surrender value of each policy, which approximates fair value.

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

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

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

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

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

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

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

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

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

The following tables present the carrying values, estimated fair values and the levels in the fair value hierarchy of financial instruments, excluding those measured at fair value on a recurring basis:

	September 30, 2016				
	Carrying Amount	Fair Value			
($ in thousands)		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 1,386,967	$ 1,386,967	$ 1,386,967	$ —	$ —
Securities purchased under agreements to resell	100	100	100	—	—
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	944,977	946,284	—	946,284	—
Agency residential MBS	1,688,912	1,724,501	—	1,724,501	—
Other residential MBS	1,904	1,911	—	1,911	—
Agency commercial MBS	2,086,735	2,120,646	—	2,120,646	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	6,166,106	6,714,739	—	6,592,929	121,810
Tax-exempt nonprofit debentures	152,848	159,376	—	—	159,376
Taxable municipal securities	53,053	66,854	—	66,854	—
Loans, net:					
Real estate secured mortgages	40,110,687	39,646,937	—	24,902,523	14,744,414
Other loans	9,452,023	8,848,259	—	—	8,848,259
Loans held for sale	514,291	515,008	—	515,008	—
Investments in life insurance	1,266,194	1,266,194	—	—	1,266,194
MSRs	60,432	79,192	—	—	79,192
FHLB stock	145,935	145,935	—	—	145,935
Liabilities:					
Deposits:					
Deposits with no maturity	$ 50,221,323	$ 50,221,323	$ —	$ 50,221,323	$ —
Certificates of deposit	4,840,374	4,884,035	—	—	4,884,035
Short-term FHLB advances	100,000	100,000	—	100,000	—
Securities sold under agreements to repurchase	100,000	100,000	—	100,000	—
Long-term FHLB advances	4,600,000	4,635,592	—	4,635,592	—
Senior notes	397,755	403,436	—	403,436	—
Subordinated notes	387,329	395,523	—	395,523	—
Debt related to VIEs	26,981	24,036	—	24,036	—

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

Note 10. Preferred Stock

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

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

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

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 3,342	$ 3,342	$ 10,026	$ 10,026
6.20% Noncumulative Perpetual Series B Preferred Stock	2,325	2,325	6,975	6,975
5.625% Noncumulative Perpetual Series C Preferred Stock	2,109	2,109	6,328	6,328
5.50% Noncumulative Perpetual Series D Preferred Stock	2,613	2,613	7,838	7,838
7.00% Noncumulative Perpetual Series E Preferred Stock	3,500	3,500	10,500	10,500
5.70% Noncumulative Perpetual Series F Preferred Stock	1,425	1,425	4,275	1,947
5.50% Noncumulative Perpetual Series G Preferred Stock	2,063	—	5,271	—
Total	$ 17,377	$ 15,314	$ 51,213	$ 43,614

Note 11. Common Stock and Stock Plans

Common Stock

At September 30, 2016, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At September 30, 2016, the Bank had 150,108,710 shares issued and outstanding. During the second quarter of 2016, the Bank sold 2.9 million new shares of common stock in an underwritten offering, which added $202.2 million to common equity.

First Republic Bank Employee Stock Purchase Plan

Under the Bank's Employee Stock Purchase Plan (the "Purchase Plan"), the Bank is authorized to sell 2,000,000 shares of common stock to its full-time and part-time employees who are regularly employed for 20 hours or more per week. For 2016, employees may purchase shares of the Bank's common stock at 90% of the closing price of the common stock on the New York Stock Exchange on the date of purchase or the nearest prior trading day, subject to an annual limitation of common stock valued at $25,000. For the nine months ended September 30, 2016, a total of 96,899 shares were sold to employees and compensation expense for the Purchase Plan was approximately $656,000.

First Republic Bank 2010 Omnibus Award Plan

Under the 2010 Omnibus Award Plan, as amended in 2012 and 2015 (the "Stock Award Plan"), the Bank is authorized to grant 21,427,273 shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units. The Bank has awarded stock options, restricted stock awards, restricted stock units and performance share units to its employees, officers and directors. Upon termination of service, unvested awards are generally forfeited. At September 30, 2016, the Bank had 718,343 shares reserved for future awards under the Stock Award Plan.

Stock Options

At September 30, 2016, the Bank had stock options outstanding, less forfeitures, of 5,005,948. Under the Bank's stock option agreements, the exercise price of each option equals the market price of the Bank's common stock at the grant date. Generally, stock options vest over a period of up to four years from the grant date and have a maximum contractual life of ten years. The Bank has granted options that have time vesting requirements ("Time Options"), performance vesting criteria ("Performance Options") and market vesting conditions ("Market Options"). All options were granted on or after July 1, 2010. As of September 30, 2016, all options are fully vested.

The following tables present information related to outstanding stock options:

	Time Options			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding as of December 31, 2015	4,088,364	$15.01		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(930,582)	$15.05		
Options outstanding as of September 30, 2016	3,157,782	$15.00	3.8 years	$196,117,530

	Performance Options			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding as of December 31, 2015	2,329,144	$16.08		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(480,978)	$16.11		
Options outstanding as of September 30, 2016	1,848,166	$16.07	3.8 years	$112,818,419

All Market Options were exercised as of December 31, 2015, therefore, none were outstanding as of September 30, 2016. At September 30, 2016, the weighted average exercise price of outstanding Time and Performance Options was $15.40 and the weighted average remaining contractual term was 3.8 years.

The intrinsic value of Time and Performance Options exercised was $78.1 million for the nine months ended September 30, 2016. Stock option exercises are satisfied by issuing shares from the Bank's authorized shares. The number of shares of common stock issued from stock option exercises are generally net of shares withheld to pay the exercise price or taxes due upon the exercise.

Restricted Stock Units

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

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

	Performance RSUs			**Time RSUs**		
	Number of Awards	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**	**Number of Awards**	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**
Nonvested awards as of December 31, 2015	1,388,869	$54.70		124,154	$37.07	
Granted	776,605	$70.52		645,577	$67.35	
Vested	(412,956)	$52.35		(120,554)	$37.16	
Canceled or forfeited	(66,500)	$56.80		(12,950)	$63.45	
Nonvested awards as of September 30, 2016	1,686,018	$62.48	3.2 years	636,227	$67.24	2.9 years

The total fair value of Performance RSUs and Time RSUs that vested in the nine months ended September 30, 2016 was $28.6 million and $8.5 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Performance Share Units

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

	Number of Awards	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**
Nonvested awards as of December 31, 2015	522,500	$51.15	
Granted	322,500	$70.54	
Vested	(127,000)	$43.09	
Canceled or forfeited	—	—	
Nonvested awards as of September 30, 2016	718,000	$61.29	3.0 years

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

Restricted Stock Awards

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

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

	Performance RSAs			**Time RSAs**		
	Number of Awards	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**	**Number of Awards**	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**
Nonvested awards as of December 31, 2015	220,000	$32.72		28,250	$31.50	
Granted	—	—		—	—	
Vested	(105,000)	$32.76		(28,250)	$31.50	
Canceled or forfeited	—	—		—	—	
Nonvested awards as of September 30, 2016	115,000	$32.68	2.3 years	—	—	—

The total fair value of Performance RSAs and Time RSAs that vested during the nine months ended September 30, 2016 was $7.3 million and $1.9 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

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

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

	September 30, 2016	
($ in thousands)	**Unrecognized Expense**	**Weighted Average Expected Recognition Period**
RSUs	$ 128,963	3.2
PSUs	32,709	3.6
RSAs	2,797	2.7
Total	$ 164,469	

($ in thousands)	Quarter Ended September 30, 2016 Expense Recognized	Quarter Ended September 30, 2016 Related Tax Benefit	Nine Months Ended September 30, 2016 Expense Recognized	Nine Months Ended September 30, 2016 Related Tax Benefit
Stock Options	$ —	$ —	$ 115	$ 49
RSUs	13,399	5,695	29,177	12,400
PSUs	3,067	1,304	7,192	3,057
RSAs	797	339	3,136	1,333
Total	$ 17,263	$ 7,338	$ 39,620	$ 16,839

Excess Tax Benefits

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

($ in thousands)	Quarter Ended September 30, 2016 Number of Awards Exercised or Vested	Quarter Ended September 30, 2016 Related Excess Tax Benefit	Nine Months Ended September 30, 2016 Number of Awards Exercised or Vested	Nine Months Ended September 30, 2016 Related Excess Tax Benefit
Stock Options	693,376	$ 15,288	1,411,560	$ 29,554
RSUs	32,051	291	533,510	4,932
PSUs	—	—	127,000	1,452
RSAs	22,500	440	133,250	2,094
Total	747,927	$ 16,019	2,205,320	$ 38,032

Note 12. Accumulated Other Comprehensive Income

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

($ in thousands)	Quarter Ended September 30, 2016 Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total	Nine Months Ended September 30, 2016 Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
Beginning balance	**$ 9,250**	**$ 4,460**	**$13,710**	**$ (5,220)**	**$ —**	**$ —**	**$ (5,220)**	
Net unrealized gain on securities available-for-sale	8,951	—	8,951	45,764	—	—	45,764	
Related tax effect	(3,803)	—	(3,803)	(19,449)	—	—	(19,449)	
Reclassification of (gain) loss on securities available-for-sale to net income	663	—	663	(2,410)	—	—	(2,410)	Gain (loss) on investment securities, net
Related tax effect	(282)	—	(282)	1,024	—	—	1,024	Provision for income taxes
Unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	—	—	(8,574)	8,574	—	—	
Related tax effect	—	—	—	3,644	(3,644)	—	—	
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	(725)	(725)	—	(1,544)	—	(1,544)	Interest income on investments
Related tax effect	—	307	307	—	656	—	656	Provision for income taxes
Other comprehensive income (loss)	5,529	(418)	5,111	19,999	4,042	—	24,041	
Ending balance	**$ 14,779**	**$ 4,042**	**$18,821**	**$ 14,779**	**$ 4,042**	**$ —**	**$18,821**	

($ in thousands)	Quarter Ended September 30, 2015 Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total	Nine Months Ended September 30, 2015 Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
Beginning balance	**$ 2,128**	**$ —**	**$ 2,128**	**$ 3,115**	**$ —**	**$ (19)**	**$ 3,096**	
Net unrealized gain on securities available-for-sale	18,671	—	18,671	18,367	—	—	18,367	
Related tax effect	(7,936)	—	(7,936)	(7,807)	—	—	(7,807)	
Reclassification of (gain) loss on securities available-for-sale to net income	76	—	76	(1,336)	—	—	(1,336)	Gain (loss) on investment securities, net
Related tax effect	(32)	—	(32)	568	—	—	568	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	—	—		—	31	31	Interest expense on deposits
Related tax effect	—	—	—		—	(12)	(12)	Provision for income taxes
Other comprehensive income	10,779	—	10,779	9,792	—	19	9,811	
Ending balance	**$ 12,907**	**$ —**	**$12,907**	**$ 12,907**	**$ —**	**$ —**	**$12,907**	

Note 13. Earnings Per Common Share (“EPS”)

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2016	2015	2016	2015
Basic EPS:				
Net income	$ 171,818	$ 134,842	$ 494,310	$ 382,099
Less: Dividends on preferred stock	17,377	15,314	51,213	43,614
Net income available to common shareholders	$ 154,441	$ 119,528	$ 443,097	$ 338,485
Weighted average common shares outstanding	149,800	142,152	147,665	140,908
Net income per common share—basic	$ 1.03	$ 0.84	$ 3.00	$ 2.40
Diluted EPS:				
Net income available to common shareholders	$ 154,441	$ 119,528	$ 443,097	$ 338,485
Weighted average shares:				
Common shares outstanding	149,800	142,152	147,665	140,908
Dilutive effect of stock options	4,170	3,211	4,503	3,295
Dilutive effect of restricted stock awards, restricted stock units and performance share units	854	527	870	524
Weighted average diluted common shares outstanding	154,824	145,890	153,038	144,727
Net income per common share—diluted	$ 1.00	$ 0.82	$ 2.90	$ 2.34

Stock options, restricted stock awards, restricted stock units and performance share units that are anti-dilutive are not included in the calculation of diluted earnings per common share. The following table presents the weighted average shares of outstanding stock awards that were anti-dilutive for the periods indicated:

	Quarter Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2016	2015	2016	2015
Restricted stock units	—	—	4	2

Note 14. Segment Reporting

ASC 280-10, “Segment Reporting,” requires that a public business enterprise report certain financial and descriptive information about its reportable operating segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Bank’s two reportable segments are Commercial Banking and Wealth Management.

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

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

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

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

	At or for the Quarter Ended September 30, 2016			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
Net interest income	$ 444,825	$ 15,779	$ —	$ 460,604
Provision for loan losses	18,000	—	—	18,000
Noninterest income	25,286	78,296	(6,311)	97,271
Amortization of intangibles	1,701	4,415	—	6,116
Other noninterest expense	274,887	63,044	(6,311)	331,620
Income before provision for income taxes	175,523	26,616	—	202,139
Provision for income taxes	20,015	10,306	—	30,321
Net income	$ 155,508	$ 16,310	$ —	$ 171,818
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 67,550,108	$ 520,823	$ (77,384)	$ 67,993,547

	At or for the Quarter Ended September 30, 2015			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
Net interest income	$ 379,329	$ 9,552	$ —	$ 388,881
Provision for loan losses	14,502	—	—	14,502
Noninterest income	22,712	61,023	(3,988)	79,747
Amortization of intangibles	2,134	2,597	—	4,731
Other noninterest expense	224,055	51,099	(3,988)	271,166
Income before provision for income taxes	161,350	16,879	—	178,229
Provision for income taxes	36,304	7,083	—	43,387
Net income	$ 125,046	$ 9,796	$ —	$ 134,842
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 55,145,374	$ 360,810	$ (130,964)	$ 55,375,220

($ in thousands)	At or for the Nine Months Ended September 30, 2016 Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
Net interest income	$ 1,284,478	$ 42,059	$ —	$ 1,326,537
Provision for loan losses	36,692	—	—	36,692
Noninterest income	73,910	229,981	(17,913)	285,978
Amortization of intangibles	5,427	13,736	—	19,163
Other noninterest expense	782,017	193,745	(17,913)	957,849
Income before provision for income taxes	534,252	64,559	—	598,811
Provision for income taxes	79,274	25,227	—	104,501
Net income	$ 454,978	$ 39,332	$ —	$ 494,310
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 67,550,108	$ 520,823	$ (77,384)	$ 67,993,547

($ in thousands)	At or for the Nine Months Ended September 30, 2015 Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
Net interest income	$ 1,084,545	$ 27,419	$ —	$ 1,111,964
Provision for loan losses	43,394	—	—	43,394
Noninterest income	69,306	177,029	(11,433)	234,902
Amortization of intangibles	6,729	8,098	—	14,827
Other noninterest expense	644,857	146,434	(11,433)	779,858
Income before provision for income taxes	458,871	49,916	—	508,787
Provision for income taxes	105,678	21,010	—	126,688
Net income	$ 353,193	$ 28,906	$ —	$ 382,099
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 55,145,374	$ 360,810	$ (130,964)	$ 55,375,220

The reconciling items for revenues include intercompany management fees related to the training and licensing of the Bank's licensed representatives by FRSC and fees for managing the Bank's investment portfolio by FRIM. The reconciling items for assets include subsidiary funds on deposit with the Bank and any intercompany receivable that is reimbursed at least on a quarterly basis.

Note 15. Concentration of Deposits

At September 30, 2016, approximately 1% of our deposit relationships hold approximately 45% of total deposits, compared to 43% at December 31, 2015.

Note 16. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the quarter ended September 30, 2016. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the quarter and nine months ended September 30, 2016 or disclosure in the notes to the financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors" in this Quarterly Report or under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K"). Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Significant competition to attract and retain banking and wealth management customers;
- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure or other financial items;
- Expectations regarding the banking and wealth management industries;
- Our ability to recruit and retain key managers, employees and board members;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Descriptions of plans or objectives of management for future operations, products or services;
- Our ability to maintain and follow high underwriting standards;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Economic and market conditions affecting the valuation of our investment securities portfolio, which could result in other-than-temporary impairment if the general economy deteriorates, credit ratings decline, the financial condition of issuers deteriorates, interest rates increase or the liquidity for securities is limited;
- Real estate prices generally and in our markets;
- Our geographic and product concentrations;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance of any new offices;

- Demand for our products and services;
- Projections about loan premiums or discounts and about the amount of intangible assets, as well as amortization of recorded amounts;
- Future provisions for loan losses, changes in nonperforming assets, impairment of investments and our allowance for loan losses;
- Projections about future levels of loan originations or loan repayments;
- Projections regarding costs, including the impact on our efficiency ratio;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements;
- The phase-in of the final capital rules regarding the Basel Committee's "Basel III" December 2010 framework, changes to the definitions and components of regulatory capital and a new approach for risk-weighted assets;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital;
- Our ability to avoid litigation and its associated costs and liabilities;
- The impact of new accounting standards;
- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments;
- Fraud, cybersecurity and privacy risks;
- Our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report and our 2015 Form 10-K. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Selected Financial Data

The following table presents our selected financial data and ratios at the dates or for the periods indicated:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Selected Financial Data:				
Interest income	$ 504,314	$ 426,028	$ 1,443,279	$ 1,222,886
Interest expense	43,710	37,147	116,742	110,922
Net interest income	460,604	388,881	1,326,537	1,111,964
Provision for loan losses	18,000	14,502	36,692	43,394
Net interest income after provision for loan losses	442,604	374,379	1,289,845	1,068,570
Noninterest income	97,271	79,747	285,978	234,902
Noninterest expense	337,736	275,897	977,012	794,685
Net income [(1)]	171,818	134,842	494,310	382,099
Dividends on preferred stock	17,377	15,314	51,213	43,614
Net income available to common shareholders [(1)]	$ 154,441	$ 119,528	$ 443,097	$ 338,485
Selected Ratios:				
Basic earnings per common share ("EPS") [(1)]	$ 1.03	$ 0.84	$ 3.00	$ 2.40
Diluted EPS [(1)]	$ 1.00	$ 0.82	$ 2.90	$ 2.34
Net income to average assets [(1), (2)]	1.02%	0.96%	1.03%	0.97%
Net income available to common shareholders to average common equity [(1), (2)]	11.62%	10.84%	11.73%	10.72%
Average total equity to average total assets	9.59%	9.59%	9.64%	9.79%
Dividends per common share	$ 0.16	$ 0.15	$ 0.47	$ 0.44
Dividend payout ratio	16.0%	18.3%	16.2%	18.8%
Book value per common share	$ 35.34	$ 30.84	$ 35.34	$ 30.84
Tangible book value per common share	$ 33.41	$ 29.43	$ 33.41	$ 29.43
Net interest margin [(2), (3)]	3.16%	3.17%	3.19%	3.23%
Core net interest margin (non-GAAP) [(2), (3), (4)]	3.11%	3.09%	3.14%	3.10%
Efficiency ratio [(5)]	60.5%	58.9%	60.6%	59.0%
Selected Asset Quality Ratios:				
Nonperforming assets to total assets	0.08%	0.10%	0.08%	0.10%
Net loan charge-offs (recoveries) to average total loans [(2)]	0.01%	0.00%	0.00%	0.00%
Capital Ratios:				
Tier 1 leverage ratio [(6)]	9.26%	9.38%	9.26%	9.38%
Common Equity Tier 1 ratio [(6)]	10.52%	10.71 %	10.52%	10.71%
Tier 1 risk-based capital ratio [(6)]	12.88%	13.21%	12.88%	13.21%
Total risk-based capital ratio [(6)]	14.33%	13.87%	14.33%	13.87%

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

[(2)] Ratios are annualized.

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

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

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

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

Introduction

We derive our income from three principal areas: (1) net interest income, which is our largest source of income, and constitutes the difference between the interest income that we receive from interest-earning assets such as loans and investment securities, and the interest expense that we pay on interest-bearing liabilities, such as deposits and borrowings; (2) fee income from wealth management activities, including investment management, trust, brokerage, foreign exchange and other banking services; and (3) earnings from the sale and servicing of real estate secured loans. We currently operate our business through two business segments: Commercial Banking and Wealth Management.

Critical Accounting Policies and the Impact of Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for loan losses, mortgage servicing rights, goodwill, identifiable intangible assets, fair value measurements, and income taxes. We base these estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We consider these to be critical accounting policies because of the significance to our financial condition and results of operations and the difficult and subjective judgments, assumptions and estimates involved. Actual results may differ from these estimates under different assumptions or conditions. For a discussion of our critical accounting policies and estimates, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2015 Form 10-K.

Current Accounting Developments

First Republic Bank ("First Republic" or the "Bank") adopted the amendments to ASC 718, "Compensation—Stock Compensation," which simplifies certain aspects of accounting for share-based payments. The Bank adopted this new guidance during the quarter ended June 30, 2016, retroactively effective January 1, 2016. For further discussion, see Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements."

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

Key Factors Affecting Our Business and Financial Statements

Regulatory and Supervisory Matters

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

In addition, financial institutions with greater than $50 billion in total consolidated assets are generally subject to enhanced supervision, both formally and informally, including heightened standards relating to capital stress testing, the establishment and maintenance of a formal resolution plan and an enhanced Volcker Rule compliance program. We became such a financial institution as of September 30, 2015 based on our average of total consolidated assets over the previous four quarters. As such, we are now subject to the requirements and standards applicable to banks regulated by the FDIC and the California Department of Business Oversight's Division of Financial Institutions with greater than $50 billion in total consolidated assets. In response to the current operating environment, heightened expectations from regulators and the imposition of more stringent regulatory obligations as our business continues to grow, we have incurred and expect to continue to incur costs in the form of additional personnel, professional fees associated with outside consultants and investments in our infrastructure.

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

Rescission of "De Novo" Status

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

Premiums for Deposit Insurance and Assessments

As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation—Premiums for Deposit Insurance and Assessments," our deposits are insured, subject to applicable limits, by the FDIC and we are subject to deposit insurance assessments to maintain the FDIC's Deposit Insurance Fund ("DIF"). Deposit insurance assessments are based on average total assets, less average tangible equity.

In March 2016, the FDIC approved a final rule to impose a surcharge on insured depository institutions with $10 billion or more in total assets in order to reach a DIF reserve ratio of 1.35%. The surcharge becomes effective when the DIF reserve ratio reaches 1.15% and will continue through the quarter in which the DIF reserve ratio first meets or exceeds 1.35%, but not past the end of 2018. The FDIC will also impose an additional shortfall assessment if the DIF reserve ratio does not reach 1.35% by December 31, 2018. The surcharge became effective in the third quarter of 2016, when the DIF reserve ratio reached 1.15%. The surcharge equals an annual rate of 4.5 basis points applied to an institution's assessment base, less a $10 billion adjustment to reduce the assessment base. Additionally, lower regular assessment rates are in effect, ranging from a minimum of 3 to a maximum of 30 basis points. The surcharge, partially offset by a lower assessment rate, results in an increase in the Bank's FDIC assessment expense beginning in the third quarter of 2016.

Financial Highlights

Our total assets were $68.0 billion at September 30, 2016, compared to $59.0 billion at December 31, 2015, a 15% increase and $55.4 billion at September 30, 2015, a 23% increase.

At September 30, 2016, total investment securities were $12.8 billion, a 23% increase compared to $10.5 billion at December 31, 2015 and a 57% increase compared to $8.2 billion at September 30, 2015. Total investment securities represented 19% of total assets at September 30, 2016, compared to 18% at December 31, 2015 and 15% at September 30, 2015. The increases in investments securities were primarily due to purchases of investments that are considered high-quality liquid assets ("HQLA") from a regulatory perspective and purchases of municipal securities. Our holdings of assets that are considered HQLA from a regulatory perspective, including eligible cash, totaled $6.7 billion at September 30, 2016, compared to $5.8 billion at December 31, 2015 and $4.7 billion at September 30, 2015. At September 30, 2016, such assets represented 10.0% of average total assets for the third quarter of 2016. We expect HQLA to be at least 12% of average total assets by the end of 2016.

At September 30, 2016, loans outstanding, excluding loans held for sale, were $49.9 billion, a 13% increase compared to $44.1 billion at December 31, 2015, and an 18% increase compared to $42.4 billion at September 30, 2015. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $28.0 billion and represented 56% of total loans at September 30, 2016, compared to $25.5 billion, or 58% of total loans at December 31, 2015 and $24.8 billion, or 58% of total loans at September 30, 2015.

Loan origination volume was $6.5 billion for the third quarter of 2016, compared to $4.9 billion for the third quarter of 2015, an increase of 33%. The increase was primarily due to an increase in originations of single family loans, business lending and multifamily loans. Loan origination volume was $17.8 billion for the nine months ended September 30, 2016, compared to $15.0 billion for the nine months ended September 30, 2015, an increase of 19%. The increase was primarily due to an increase in originations of single family loans and HELOCs, multifamily, unsecured and stock and other secured loans.

Total deposits were $55.1 billion at September 30, 2016, an increase of 15%, compared to $47.9 billion at December 31, 2015 and an increase of 24%, compared to $44.3 billion at September 30, 2015. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. At September 30, 2016, balances in business and personal checking accounts were $33.7 billion, or 61% of total deposits, compared to $30.3 billion, or 63% of total deposits at December 31, 2015 and $27.0 billion, or 61% of total deposits a year ago, as we continued to emphasize building banking relationships through checking and other transaction deposit accounts. Total checking and savings accounts were 91% of total deposits at September 30, 2016, compared to 90% at both December 31, 2015 and September 30, 2015. At September 30, 2016, business deposits were $30.1 billion and represented 55% of total deposits, compared to $24.5 billion, or 51% of total deposits at December 31, 2015 and $23.9 billion, or 54% of total deposits at September 30, 2015.

Our Common Equity Tier 1 and total risk-based capital ratios at September 30, 2016 were 10.52% and 14.33%, respectively. As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation—Basel III Capital Rules," the Basel III Capital Rules are subject to a phase-in period through the end of 2018. If fully phased-in, our Common Equity Tier 1 and total risk-based capital ratios at September 30, 2016 would have been 10.40% and 14.22%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions. Refer to "—Capital Resources" for further discussion of capital ratios and our capital requirements.

Book value per common share was $35.34 at September 30, 2016, a 9% increase from December 31, 2015 and a 15% increase during the last twelve months. Tangible book value per common share was $33.41 at September 30, 2016, an 11% increase from December 31, 2015 and a 14% increase during the last twelve months.

During the nine months ended September 30, 2016, we completed a public offering of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series G Preferred Stock ("Series G Preferred Stock"), at a public offering price of $25.00 per depositary share. The Bank issued 150,000 shares of the Series G Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $145.2 million. In addition, we sold 2.9 million new shares of common stock in an underwritten offering, which added $202.2 million to common equity.

In August 2016, we completed a public offering of $400 million of 30-year term, fixed-rate unsecured subordinated notes. Net proceeds were $387.3 million. The subordinated notes bear a contractual fixed rate of 4.375% and will mature on August 1, 2046. Such notes qualify as Tier 2 capital. We intend to use $199.5 million of the proceeds from the subordinated notes offering to redeem our 6.70% Series A Preferred Stock, which becomes redeemable at the Bank's option on January 30, 2017.

Cash dividends paid in the third quarter of 2016 were $0.16 per share of common stock to shareholders of record as of July 28, 2016, compared to $0.15 in the third quarter of 2015. Cash dividends paid for the nine months ended September 30, 2016 were $0.47, compared to $0.44 for the nine months ended September 30, 2015. On October 13, 2016, we declared a cash dividend for the third quarter of $0.16 per share, which is payable on

November 10, 2016 to shareholders of record as of October 27, 2016. Any future payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management assets under management ("AUM") and assets under administration ("AUA") were $80.2 billion at September 30, 2016, an increase of $7.9 billion, or 11% from $72.3 billion at December 31, 2015 and an increase of $21.4 billion, or 36% from $58.8 billion at September 30, 2015. The increases in AUM and AUA were primarily due to net new assets from both existing and new clients and also includes the AUM of $8.6 billion from the purchase of substantially all of the assets of Constellation Wealth Advisors ("Constellation") in the fourth quarter of 2015.

Purchase Accounting Accretion and Amortization

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

($ in thousands)	September 30, 2016	December 31, 2015
Acquired loans (unpaid principal balance)	$ 3,183,119	$ 3,834,321
Purchase accounting discount	(85,573)	(108,235)
Total	$ 3,097,546	$ 3,726,086

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Accretion/amortization to net interest income:				
Loans	$ 7,804	$ 9,663	$ 22,761	$ 33,493
Deposits	—	—	—	1,006
Total	$ 7,804	$ 9,663	$ 22,761	$ 34,499
Amortization to noninterest expense:				
Intangible assets	$ 2,530	$ 3,170	$ 8,066	$ 9,986
Net pre-tax impact of purchase accounting	$ 5,274	$ 6,493	$ 14,695	$ 24,513

Loan discount accretion decreased for the quarter and nine months ended September 30, 2016 compared to the quarter and nine months ended September 30, 2015 primarily due to a declining portfolio of loans with purchase accounting discounts from the Bank's re-establishment as an independent institution.

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

Overview

Net income was $171.8 million and $134.8 million for the third quarter of 2016 and 2015, respectively, an increase of $37.0 million, or 27%. Diluted EPS were $1.00, compared to $0.82 for the third quarter of 2015. Net income and diluted EPS for the third quarter of 2016 reflects the adoption of new accounting guidance for share-based compensation under ASC 718. ASC 718 is retroactively effective as of January 1, 2016, therefore did not impact net income or diluted EPS for the third quarter of 2015. See Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements" for additional information.

Net income for the Commercial Banking segment was $155.5 million and $125.0 million for the third quarter of 2016 and 2015, respectively. The Wealth Management segment had net income of $16.3 million and $9.8

million for the third quarter of 2016 and 2015, respectively. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $460.6 million for the third quarter of 2016, an increase of $71.7 million, or 18%, compared to $388.9 million for the third quarter of 2015. The amount of net interest income resulting from the accretion of loan discounts included in the above amounts was $7.8 million for the third quarter of 2016, compared to $9.7 million for the third quarter of 2015. Fully taxable-equivalent net interest income was $505.0 million for the third quarter of 2016, compared to $424.5 million for the third quarter of 2015, an increase of 19%.

On an average basis, interest-earning assets and interest-bearing liabilities for the third quarter of 2016 each increased 20% from the third quarter of 2015.

Yields/Rates (Fully Taxable-Equivalent Basis)

The following table presents our yields/rates on interest-earning assets and interest-bearing liabilities and the reconciliation between the net interest margin excluding purchase accounting accretion/amortization (core net interest margin) to its equivalent GAAP ratio on a fully taxable-equivalent basis:

	Quarter Ended September 30,	
	2016	**2015**
Interest-earning assets	3.43 %	3.45 %
Interest-bearing liabilities	(0.29)%	(0.30)%
Net interest margin (GAAP)	3.16 %	3.17 %
Purchase accounting accretion/amortization	(0.05)%	(0.08)%
Core net interest margin (non-GAAP)	3.11 %	3.09 %

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans include accretion/amortization of purchase accounting discounts/premiums.

	Quarter Ended September 30,					
	2016			2015		
($ in thousands)	Average Balance	Interest [1]	Yields/ Rates [2]	Average Balance	Interest [1]	Yields/ Rates [2]
Assets:						
Cash and cash equivalents	$ 2,162,287	$ 2,630	0.48%	$ 2,682,142	$ 1,691	0.25%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	2,430	3	0.36%	—	—	—%
U.S. Government-sponsored agency securities	955,047	6,787	2.84%	1,023,373	7,939	3.10%
Mortgage-backed securities ("MBS"):						
Agency residential and commercial MBS	4,871,570	29,441	2.42%	2,668,178	17,488	2.62%
Other residential and commercial MBS	10,530	81	3.08%	13,616	71	2.08%
Municipal securities [1]	6,242,395	91,302	5.84%	4,317,730	70,654	6.54%
Other investment securities [3]	855	—	0.00%	1,181	—	0.00%
Total investment securities	12,082,827	127,614	4.22%	8,024,078	96,152	4.80%
Loans:						
Residential real estate	27,661,206	203,412	2.94%	24,630,714	184,685	3.00%
Multifamily	6,134,553	57,626	3.68%	5,178,041	47,908	3.62%
Commercial real estate	5,075,143	56,644	4.37%	4,266,196	47,527	4.36%
Construction	1,281,855	14,658	4.47%	1,065,627	12,253	4.50%
Business [1]	6,552,190	67,446	4.03%	5,771,279	57,800	3.92%
Other	2,325,506	15,026	2.53%	1,232,065	8,239	2.62%
Total loans [4]	49,030,453	414,812	3.35%	42,143,922	358,412	3.36%
Federal Home Loan Bank ("FHLB") stock	173,543	3,701	8.48%	166,881	5,392	12.82%
Total interest-earning assets	63,449,110	548,757	3.43%	53,017,023	461,647	3.45%
Noninterest-earning assets:						
Noninterest-earning cash	277,963			257,826		
Goodwill and other intangibles	292,824			204,021		
Other assets	3,002,033			2,467,187		
Total noninterest-earning assets	3,572,820			2,929,034		
Total Assets	$ 67,021,930			$ 55,946,057		
Liabilities and Equity:						
Deposits:						
Checking	$ 33,276,648	1,387	0.02%	$ 27,208,451	285	0.00%
Money market checking and savings	15,921,781	4,667	0.12%	13,226,282	2,292	0.07%
Certificates of deposit ("CDs")	4,688,438	13,607	1.15%	4,162,188	13,326	1.27%
Total deposits	53,886,867	19,661	0.15%	44,596,921	15,903	0.14%
Borrowings:						
Short-term borrowings	174,205	515	1.18%	100,002	321	1.28%
Long-term FHLB advances	4,794,022	17,924	1.49%	4,657,337	18,230	1.55%
Senior notes [5]	397,657	2,575	2.59%	396,869	2,570	2.59%
Subordinated notes [5]	256,805	2,951	4.60%	—	—	—%
Other borrowings	27,557	84	1.23%	31,166	123	1.58%
Total borrowings	5,650,246	24,049	1.70%	5,185,374	21,244	1.63%
Total interest-bearing liabilities	59,537,113	43,710	0.29%	49,782,295	37,147	0.30%
Noninterest-bearing liabilities	1,055,656			797,627		
Preferred equity	1,139,525			989,525		
Common equity	5,289,636			4,376,610		
Total Liabilities and Equity	$ 67,021,930			$ 55,946,057		
Net interest spread [6]			3.14%			3.15%
Net interest income (fully taxable-equivalent basis) and net interest margin [7]		$ 505,047	3.16%		$ 424,500	3.17%
Core net interest income (fully taxable-equivalent basis) and core net interest margin (non-GAAP) [8]		$ 497,243	3.11%		$ 414,837	3.09%

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(1) Presented on a fully taxable-equivalent basis. Reported interest income was increased by $32.9 million for the third quarter of 2016 and $25.6 million for the third quarter of 2015 to determine the yield on tax-exempt investment securities on a fully taxable-equivalent basis. Reported interest income was increased by $11.5 million for the third quarter of 2016 and $10.0 million for the third quarter of 2015 to determine the yield on tax-exempt loans on a fully taxable-equivalent basis.

(2) Yields/rates are annualized.

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

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

(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.

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

Interest Income

Loans

Interest income on loans increased $54.9 million, or 16%, to $403.3 million for the third quarter of 2016, from $348.4 million for the third quarter of 2015 due to continued growth in average loan balances. Included in interest income on loans is loan discount accretion of $7.8 million for the third quarter of 2016, compared to $9.7 million for the third quarter of 2015. The decrease in discount accretion was primarily due to a declining portfolio of loans with purchase accounting discounts from the Bank's re-establishment as an independent institution. Fully taxable-equivalent interest income on loans was $414.8 million for the third quarter of 2016, compared to $358.4 million for the third quarter of 2015, an increase of 16%.

Average loan balances were $49.0 billion for the third quarter of 2016, compared to $42.1 billion for the third quarter of 2015, an increase of 16%. The average yield on loans, including the accretion of loan discounts, was 3.35% for the third quarter of 2016, compared to 3.36% for the third quarter of 2015. The average contractual yield earned on loans was 3.28% for the third quarter of 2016, compared to 3.26% for the third quarter of 2015. For a reconciliation of the average contractual yield on loans to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest income on loans included prepayment penalty fees of $3.2 million for the third quarter of both 2016 and 2015.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans with higher fixed rates, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.14% at September 30, 2016 and 2015, compared to 3.17% at December 31, 2015. For adjustable-rate mortgages ("ARMs"), the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At September 30, 2016, approximately 39% of our total loans were adjustable-rate or mature within one year, compared to 38% at September 30, 2015.

Investments

Interest income on investments was $94.7 million for the third quarter of 2016, compared to $70.6 million for the third quarter of 2015, an increase of $24.1 million, or 34%. The increase was due to the purchases of new investments. Average investment balances were $12.1 billion for the third quarter of 2016, compared to $8.0 billion for the third quarter of 2015, an increase of 51%, primarily due to purchases of investments that are considered HQLA and purchases of municipal securities. The average yield on investment securities was 4.22%, compared to 4.80% for the third quarter of 2015, a decline of 58 basis points. The yield decline was the result of a change in mix of the investment portfolio, as we have been increasing our holdings of agency MBS, which are considered HQLA, while the percentage of higher-yielding municipal securities that are part of the total portfolio decreased. Fully taxable-equivalent interest income on investments was $127.6 million during the third quarter of 2016, compared to $96.2 million during the third quarter of 2015, an increase of 33%.

FHLB Stock

Dividends on FHLB stock were $3.7 million for the third quarter of 2016, compared to $5.4 million for the third quarter of 2015, a decrease of $1.7 million. The average yield on FHLB stock was 8.48% for the third quarter of 2016, compared to 12.82% for the third quarter of 2015. The decline in dividend income and yield was primarily due to lower dividend rates, partially offset by slightly higher average FHLB stock balances. Average FHLB stock balances were $173.5 million for the third quarter of 2016, compared to $166.9 million for the third quarter of 2015, an increase of 4%.

Interest Expense

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes, subordinated notes and other borrowings. Total interest expense for the third quarter of 2016 increased 18% to $43.7 million, from $37.1 million for the third quarter of 2015. The increase was the result of an increase of 20% in average interest-bearing liabilities, which were $59.5 billion, compared to $49.8 billion for the third quarter of 2015, partially offset by a decline in the average cost of interest-bearing liabilities to 0.29% from 0.30% for the third quarter of 2015.

Deposits

Interest expense on deposits was $19.7 million for the third quarter of 2016, compared to $15.9 million for the third quarter of 2015, an increase of $3.8 million, or 24%. The average interest rate paid on deposits was 0.15% for the third quarter of 2016, compared to 0.14% for the third quarter of 2015.

Average deposit balances were $53.9 billion for the third quarter of 2016, an increase of 21% from $44.6 billion for the third quarter of 2015. Average checking account balances comprised 62% of average total deposits for the third quarter of 2016, compared to 61% for the third quarter of 2015. Average money market checking and savings accounts were 29% of average total deposits for the third quarter of 2016, compared to 30% for the third quarter of 2015. Average CD balances were 9% of average total deposits for the third quarter of both 2016 and 2015.

At September 30, 2016 and 2015, the weighted average contractual rate paid on total deposits was 0.15% and 0.14%, respectively. At September 30, 2016, our total deposits were $55.1 billion, compared to $44.3 billion at September 30, 2015, an increase of 24%. We will continue to focus on growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as FHLB advances, unsecured term senior notes or unsecured term subordinated notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings was $24.0 million for the third quarter of 2016, compared to $21.2 million for the third quarter of 2015, an increase of $2.8 million, or 13%.

Short-term borrowings, which include federal funds purchased, short-term FHLB advances and securities sold under agreements to repurchase, have an original maturity of one year or less. At September 30, 2016, short-term borrowings were $200.0 million, compared to $100.0 million at September 30, 2015. Interest expense on short-term borrowings was $515,000 for the third quarter of 2016, compared to $321,000 for the third quarter of 2015. The increase was primarily due to an increase in average short-term borrowings to $174.2 million, compared to $100.0 million for the third quarter of 2015. The average cost of short-term borrowings was 1.18% for the third quarter of 2016, compared to 1.28% for the third quarter of 2015.

At September 30, 2016, long-term FHLB advances outstanding were $4.6 billion, compared to $4.4 billion at September 30, 2015. Interest expense on long-term FHLB advances was $17.9 million for the third quarter of 2016, compared to $18.2 million for the third quarter of 2015, a decrease of 2%. The decrease was primarily due to a decrease in the average cost of long-term FHLB advances, partially offset by slightly higher average balances. The average cost of long-term FHLB advances was 1.49% for the third quarter of 2016, compared to 1.55% for the third quarter of 2015. Average long-term FHLB advances were $4.8 billion, compared to $4.7 billion for the third quarter of 2015, an increase of 3%. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 8% for the third quarter of 2016, compared to 9% for the third quarter of 2015.

At September 30, 2016, the carrying value of unsecured senior notes issued in June 2014 was $397.8 million, compared to $397.0 million at September 30, 2015. Interest expense on our fixed-rate senior notes for the third quarter of both 2016 and 2015 was $2.6 million, and includes interest at a coupon rate of 2.375%, increased by amortization of issuance discounts and offering costs. The senior notes mature on June 17, 2019.

At September 30, 2016, the carrying value of unsecured subordinated notes issued in August 2016 was $387.3 million. Interest expense on our fixed-rate subordinated notes for the third quarter of 2016 was $3.0 million and includes interest at a coupon rate of 4.375%, increased by amortization of issuance discounts and offering costs. The subordinated notes mature on August 1, 2046.

Provision for Loan Losses

The provision for loan losses was $18.0 million for the third quarter of 2016, compared to $14.5 million for the third quarter of 2015. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

	Quarter Ended September 30,	
($ in thousands)	**2016**	**2015**
Investment management fees	$ 56,843	$ 44,211
Brokerage and investment fees	6,627	3,899
Trust fees	3,015	2,600
Foreign exchange fee income	5,460	5,933
Deposit fees	5,278	4,898
Gain on sale of loans	1,785	2,957
Loan servicing fees, net	3,182	3,135
Loan and related fees	3,709	3,083
Income from investments in life insurance	12,065	8,555
Gain (loss) on investment securities, net	(663)	(76)
Other income (loss)	(30)	552
Total noninterest income	$ 97,271	$ 79,747

Noninterest income for the third quarter of 2016 was $97.3 million, an increase of $17.5 million, or 22%, compared to $79.7 million for the third quarter of 2015. The increase in noninterest income was primarily due to increases in investment management fees, income from investments in life insurance and brokerage and investment fees, partially offset by a lower gain on sale of loans.

Investment management fees. Investment management fees were $56.8 million for the third quarter of 2016, a 29% increase from $44.2 million for the third quarter of 2015. The increase in investment management fees was due to an increase in AUM from the addition of assets from both existing and new clients and from fees earned from assets acquired in the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. The addition of client assets was the result of growth in investment management services to Bank clients, acquiring new clients, the successful marketing efforts of existing portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. Investment management fees vary with the amount of assets managed by our investment management subsidiary and the type of investment chosen by the client. Generally, these investment advisors earn higher fees for managing equity securities than for managing a fixed income portfolio. The future level of these fees depends on the level and mix of AUM, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $6.6 million for the third quarter of 2016, an increase of 70%, compared to $3.9 million for the third quarter of 2015. The increase was primarily due to increased trading volume and higher balances of AUA. The future level of these fees depends on the level and mix of AUA, conditions in the equity markets and our ability to attract new clients.

Trust fees. Trust fees for the third quarter of 2016 were $3.0 million compared to $2.6 million for the third quarter of 2015, a 16% increase. The increase was primarily due to increases in assets under custody or administration from existing and new clients. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

Foreign exchange fee income. Foreign exchange fee income represents fees we earn from transacting foreign exchange business on behalf of our customers. We earned $5.5 million on foreign exchange business for the third quarter of 2016, compared to $5.9 million for the third quarter of 2015, a decrease of 8%. The amount of foreign exchange fees is primarily driven by volume of activity from both existing and new clients.

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

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $5.3 million for the third quarter of 2016, an increase of 8% from $4.9 million for the third quarter of 2015.

Gain on sale of loans. For the third quarter of 2016, the gain on the sale of $948.0 million of loans was $1.8 million (19 basis points on the loans sold), compared to net gains for the third quarter of 2015 of $3.0 million on loan sales of $599.7 million (49 basis points on the loans sold). The lower level of gains was the result of lower margins. The net gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

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

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015
Contractually specified servicing fees	$ 7,003	$ 6,513
Amortization expense	(3,821)	(3,378)
Loan servicing fees, net	$ 3,182	$ 3,135

Contractual servicing fees were $7.0 million for the third quarter of 2016, compared to $6.5 million for the third quarter of 2015, an increase of 8%. The increase was primarily due to the growth in the servicing portfolio. The average servicing portfolio for the third quarter of 2016 was $11.1 billion, compared to $10.3 billion a year ago, an increase of 8%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for the third quarter of both 2016 and 2015.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the third quarter of 2016, the overall annualized repayment speed experienced on loans serviced was 17%, compared to 13% for the third quarter of 2015. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release any valuation allowance, if any, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Loan and related fees. Loan and related fee income was $3.7 million for the third quarter of 2016, compared to $3.1 million for the third quarter of 2015. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan-related processing fees that vary with market conditions and loan origination volumes; prepayment penalties on sold loans; and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates. We collected prepayment penalty fees on loans serviced for others of $1.4 million and $1.2 million for the third quarter of 2016 and 2015, respectively.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $12.1 million for the third quarter of 2016, compared to $8.6 million for the third quarter of 2015. The book value of this portfolio of tax-exempt investments was $1.3 billion at September 30, 2016, compared to $1.1 billion at September 30, 2015. The increase was due to higher average balances of investments in life insurance from continued purchases and a gain of $2.3 million from life insurance proceeds.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended September 30,	
($ in thousands)	**2016**	**2015**
Salaries and employee benefits	$ 193,340	$ 149,463
Information systems	38,917	31,564
Occupancy	30,945	26,531
Professional fees	12,466	16,974
FDIC assessments	11,800	8,700
Advertising and marketing	7,169	6,167
Amortization of intangibles	6,116	4,731
Other expenses	36,983	31,767
Total noninterest expense	$ 337,736	$ 275,897

Noninterest expense was $337.7 million for the third quarter of 2016, compared to $275.9 million for the third quarter of 2015, an increase of $61.8 million, or 22%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, information systems costs and occupancy costs, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the continued investments in the expansion of the franchise and regulatory compliance activities, along with growth across all areas of the Bank.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $27.5 million for the third quarter of 2016, compared to $20.9 million for the third quarter of 2015, an increase of $6.6 million, or 32%. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs on our balance sheet and are amortized to interest income over the contractual life of the loans. At September 30, 2016, net deferred loan costs were $59.3 million, compared to $40.3 million at September 30, 2015.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 60.5% for the third quarter of 2016, compared to 58.9% for the third quarter of 2015. The increase in the efficiency ratio was primarily attributable to the continued investments in the expansion of the franchise and regulatory compliance activities, along with growth across all areas of the Bank. In addition, higher costs related to the FDIC assessment surcharge and the interest expense for the new subordinated notes issued in the third quarter of 2016, which reduced revenues, contributed to the increase.

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and includes the cost of salaries, incentive compensation, benefit plans, health insurance and payroll taxes, which have collectively increased in each of the past several years as we hired additional personnel to support our growth and our enhanced regulatory environment. Salaries and employee benefit expenses were $193.3 million for the third quarter of 2016, a 29% increase from $149.5 million for the third quarter of 2015. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities. At September 30, 2016, we had 3,420 full-time equivalent employees, including temporary employees and independent contractors, a 16% increase from 2,937 at September 30, 2015.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing internet-based activities and the costs associated with telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $38.9 million for the third quarter of 2016, a 23% increase from $31.6 million for the third quarter of 2015. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth, as well as to enhance our regulatory compliance infrastructure.

Occupancy. Occupancy costs were $30.9 million for the third quarter of 2016, a 17% increase from $26.5 million for the third quarter of 2015. The increase was primarily due to expanding our office space in existing markets for new employees and increased rental costs in certain locations. We expect the level of occupancy costs to vary with the number of offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to enhancing regulatory compliance activities. Such expenses were $12.5 million for the third quarter of 2016, compared to $17.0 million for the third quarter of 2015, a decrease of $4.5 million, or 27%. The decrease in professional fees was primarily due to transitioning from consultant spending to permanent staffing for regulatory compliance activities.

FDIC assessments. FDIC assessments were $11.8 million for the third quarter of 2016, a 36% increase from $8.7 million for the third quarter of 2015. The increase was primarily due to the new FDIC assessment surcharge effective in the third quarter of 2016 and a higher assessment base as a result of the growth in assets, partially offset by a decrease in our assessment rate.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers and radio, primarily to support growth in our Preferred Banking offices. Advertising and marketing expenses were

$7.2 million for the third quarter of 2016 and $6.2 million for the third quarter of 2015, an increase of 16%. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth. Such activities increased in the third quarter of 2016, compared to the third quarter of 2015.

Amortization of intangibles. Amortization expense for the third quarter of 2016 was $6.1 million, a 29% increase from $4.7 million for the third quarter of 2015. The increase in amortization expense was due to the addition of customer relationship intangible assets from the Constellation asset purchase in the fourth quarter of 2015.

Other expenses. Other expenses were $37.0 million for the third quarter of 2016, compared to $31.8 million for the third quarter of 2015, an increase of $5.2 million, or 16%. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, cash management, custody and clearing, and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and AUM and AUA, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

	Quarter Ended September 30,	
($ in thousands)	**2016**	**2015**
Deposit client related costs	$ 7,794	$ 5,781
Loan related costs	4,619	2,965
Travel and entertainment	4,059	3,191
Subscriptions	3,045	1,943
Insurance expense	2,813	2,389
Recruiting fees	1,994	3,197
Other operating expenses	12,659	12,301
Total other expenses	$ 36,983	$ 31,767

Provision for Income Taxes

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities. During the second quarter of 2016, the Bank adopted the amendments to ASC 718, retroactively effective as of January 1, 2016. As a result of this new guidance, excess tax benefits from exercise or vesting of share-based awards are now included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. For further discussion of ASC 718, see Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements."

The Bank's effective tax rate for the third quarter of 2016 was 15.0%, compared to 24.3% for the third quarter of 2015. The effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and, beginning January 1, 2016, the amount of excess tax benefits. The decrease in the effective tax rate in the third quarter of 2016 resulted primarily from increased tax benefits from exercised stock options, low income housing tax credit investments and tax-exempt securities.

Results of Operations—Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Overview

Net income was $494.3 million and $382.1 million for the nine months ended September 30, 2016 and 2015, respectively, an increase of $112.2 million, or 29%. Diluted EPS were $2.90, compared to $2.34 for the nine months ended September 30, 2015, an increase of 24%. Net income and diluted EPS for the nine months ended September 30, 2016 reflects the adoption of new accounting guidance for share-based compensation under ASC 718. ASC 718 is retroactively effective as of January 1, 2016, therefore did not impact net income or diluted EPS for the nine months ended September 30, 2015. See Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements" for additional information.

Net income for the Commercial Banking segment was $455.0 million and $353.2 million for the nine months ended September 30, 2016 and 2015, respectively. The Wealth Management segment had net income of $39.3 million and $28.9 million for the nine months ended September 30, 2016 and 2015, respectively. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $1.3 billion for the nine months ended September 30, 2016, an increase of $214.6 million, or 19%, compared to $1.1 billion for the nine months ended September 30, 2015. Included in net interest income for the nine months ended September 30, 2015 was a one-time special dividend of $9.1 million from the FHLB. The amount of net interest income resulting from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $22.8 million for the nine months ended September 30, 2016, compared to $34.5 million for the nine months ended September 30, 2015. Fully taxable-equivalent net interest income was $1.5 billion for the nine months ended September 30, 2016, compared to $1.2 billion for the nine months ended September 30, 2015, an increase of 20%.

On an average basis, interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2016 each increased 21% from the nine months ended September 30, 2015.

Yields/Rates (Fully Taxable-Equivalent Basis)

The following table presents our yields/rates on interest-earning assets and interest-bearing liabilities and the reconciliation between the net interest margin excluding purchase accounting accretion/amortization and also excluding the one-time special FHLB dividend in the nine months ended September 30, 2015 (core net interest margin), to its equivalent GAAP ratio on a fully taxable-equivalent basis:

	Nine Months Ended September 30,	
	2016	**2015**
Interest-earning assets	3.44 %	3.52 %
Interest-bearing liabilities	(0.27)%	(0.32)%
Net interest margin (GAAP)	3.19 %	3.23 %
Purchase accounting accretion/amortization	(0.05)%	(0.10)%
One-time special FHLB dividend	— %	(0.03)%
Core net interest margin (non-GAAP)	3.14 %	3.10 %

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans and CDs include accretion/amortization of purchase accounting discounts/premiums.

	Nine Months Ended September 30,					
	2016			2015		
($ in thousands)	Average Balance	Interest (1)	Yields/ Rates (2)	Average Balance	Interest (1)	Yields/ Rates (2)
Assets:						
Cash and cash equivalents	$ 1,960,525	$ 7,127	0.49%	$ 1,921,569	$ 3,562	0.25%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	7,903	53	0.89%	34,883	497	1.90%
U.S. Government-sponsored agency securities	871,592	19,094	2.92%	925,168	21,316	3.07%
MBS:						
Agency residential and commercial MBS	4,845,565	88,537	2.44%	2,468,214	46,502	2.51%
Other residential and commercial MBS	11,685	230	2.62%	13,751	219	2.12%
Municipal securities (1)	5,706,272	256,410	5.99%	4,021,146	192,154	6.37%
Other investment securities (3)	813	—	0.00%	1,367	—	0.00%
Total investment securities	11,443,830	364,324	4.24%	7,464,529	260,688	4.66%
Loans:						
Residential real estate	26,793,198	596,085	2.97%	23,819,241	538,834	3.02%
Multifamily	5,834,773	162,012	3.65%	4,945,120	138,583	3.70%
Commercial real estate	4,818,707	158,214	4.31%	4,074,907	138,186	4.47%
Construction	1,205,786	41,569	4.53%	961,618	33,537	4.60%
Business (1)	6,178,305	191,460	4.07%	5,269,253	160,563	4.02%
Other	2,008,728	38,772	2.54%	1,093,562	22,591	2.72%
Total loans (4)	46,839,497	1,188,112	3.36%	40,163,701	1,032,294	3.41%
FHLB stock (5)	156,165	9,447	8.08%	209,776	23,767	15.15%
Total interest-earning assets	60,400,017	1,569,010	3.44%	49,759,575	1,320,311	3.52%
Noninterest-earning assets:						
Noninterest-earning cash	273,545			255,516		
Goodwill and other intangibles	299,126			208,886		
Other assets	2,971,773			2,440,913		
Total noninterest-earning assets	3,544,444			2,905,315		
Total Assets	$ 63,944,461			$ 52,664,890		
Liabilities and Equity:						
Deposits:						
Checking	$ 32,346,408	2,499	0.01%	$ 24,579,377	890	0.00%
Money market checking and savings	14,385,197	9,738	0.09%	12,668,194	6,706	0.07%
CDs (4)	4,552,188	40,322	1.18%	3,951,941	36,838	1.25%
Total deposits	51,283,793	52,559	0.14%	41,199,512	44,434	0.14%
Borrowings:						
Short-term borrowings	632,215	2,844	0.60%	127,193	549	0.58%
Long-term FHLB advances	4,294,161	50,314	1.57%	4,930,586	57,841	1.57%
Senior notes (6)	397,459	7,720	2.59%	396,677	7,705	2.59%
Subordinated notes (6)	86,227	2,951	4.56%	—	—	—%
Other borrowings	28,535	354	1.65%	32,626	393	1.61%
Total borrowings	5,438,597	64,183	1.58%	5,487,082	66,488	1.62%
Total interest-bearing liabilities	56,722,390	116,742	0.27%	46,686,594	110,922	0.32%
Noninterest-bearing liabilities	1,057,461			820,078		
Preferred equity	1,117,627			936,045		
Common equity	5,046,983			4,222,173		
Total Liabilities and Equity	$ 63,944,461			$ 52,664,890		
Net interest spread (7)			3.17%			3.20%
Net interest income (fully taxable-equivalent basis) and net interest margin (8)		$ 1,452,268	3.19%		$ 1,209,389	3.23%
Core net interest income (fully taxable-equivalent basis) and core net interest margin (non-GAAP) (9)		$ 1,429,507	3.14%		$ 1,165,756	3.10%

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(1) Presented on a fully taxable-equivalent basis. Reported interest income was increased by $92.6 million for the nine months ended September 30, 2016 and $69.3 million for the nine months ended September 30, 2015 to determine the yield on tax-exempt investment securities on a fully taxable-equivalent basis. Reported interest income was increased by $33.1 million for the nine months ended September 30, 2016 and $28.1 million for the nine months ended September 30, 2015 to determine the yield on tax-exempt loans on a fully taxable-equivalent basis.

(2) Yields/rates are annualized.

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

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

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

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

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

(8) Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets.

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

Interest Income

Loans

Interest income on loans increased $150.8 million, or 15%, to $1.2 billion for the nine months ended September 30, 2016, from $1.0 billion for the nine months ended September 30, 2015 due to continued loan growth. Included in interest income on loans is loan discount accretion of $22.8 million for the nine months ended September 30, 2016, compared to $33.5 million for the nine months ended September 30, 2015. The decrease in discount accretion was primarily due to a declining portfolio of loans with purchase accounting discounts from the Bank's re-establishment as an independent institution. Fully taxable-equivalent interest income on loans was $1.2 billion for the nine months ended September 30, 2016, compared to $1.0 billion for the nine months ended September 30, 2015, an increase of 15%.

Average loan balances were $46.8 billion for the nine months ended September 30, 2016, compared to $40.2 billion for the nine months ended September 30, 2015, an increase of 17%. The average yield on loans, including the accretion of loan discounts, was 3.36%, a decrease of 5 basis points from 3.41% for the nine months ended September 30, 2015. The average contractual yield earned on loans was 3.29% for both the nine months ended September 30, 2016 and 2015. For a reconciliation of the average contractual yield on loans to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest income on loans included prepayment penalty fees of $9.1 million and $12.0 million for the nine months ended September 30, 2016 and 2015, respectively. The decrease was primarily due to lower prepayments on single family and commercial real estate loans.

Investments

Interest income on investments increased $80.4 million, or 42%, to $271.7 million for the nine months ended September 30, 2016, compared to $191.3 million for the nine months ended September 30, 2015. The increase was due to the purchases of new investments. Average investment balances were $11.4 billion for the nine months ended September 30, 2016, compared to $7.5 billion for the nine months ended September 30, 2015, an increase of 53%, primarily due to purchases of investments that are considered HQLA and purchases of municipal securities. The average yield on investment securities was 4.24% compared to 4.66% for the nine months ended September 30, 2015, a decline of 42 basis points. The yield decline was the result of a change in mix of the investment portfolio, as we have been increasing our holdings of agency MBS, which are considered HQLA, while the percentage of higher-yielding municipal securities that are part of the total portfolio decreased, compared to the nine months ended September 30, 2015. Fully taxable-equivalent interest income on investments was $364.3 million during the nine months ended September 30, 2016, compared to $260.7 million during the nine months ended September 30, 2015, an increase of 40%.

FHLB Stock

Dividends on FHLB stock were $9.4 million for the nine months ended September 30, 2016, compared to $23.8 million for the nine months ended September 30, 2015, a decrease of $14.3 million. The average yield on FHLB stock was 8.08% for the nine months ended September 30, 2016, compared to 15.15% for the nine months ended September 30, 2015. The decline in dividend income and yield was primarily due to a one-time special FHLB dividend of $9.1 million in the nine months ended September 30, 2015, as well as lower average FHLB stock balances. Average FHLB stock balances were $156.2 million for the nine months ended September 30, 2016, compared to $209.8 million for the nine months ended September 30, 2015, a decrease of 26%.

Interest Expense

Total interest expense for the nine months ended September 30, 2016 was $116.7 million, compared to $110.9 million for the nine months ended September 30, 2015. The increase was the result of an increase in average interest-bearing liabilities, which were $56.7 billion, compared to $46.7 billion for the nine months ended September 30, 2015, partially offset by a decline in the average cost of interest-bearing liabilities to 0.27% from 0.32% for the nine months ended September 30, 2015.

Deposits

Interest expense on deposits was $52.6 million for the nine months ended September 30, 2016, an increase of $8.1 million, or 18%, from $44.4 million for the nine months ended September 30, 2015. Interest expense on deposits for the nine months ended September 30, 2015 was reduced by $1.0 million for the amortization of premiums on CDs. There was no purchase accounting amortization on CDs in the nine months ended September 30, 2016. The average interest rate paid on deposits was 0.14% for both the nine months ended September 30, 2016 and 2015.

Average deposit balances were $51.3 billion for the nine months ended September 30, 2016, an increase of 24% from $41.2 billion for the nine months ended September 30, 2015. Average checking account balances comprised 63% of average total deposits for the nine months ended September 30, 2016, compared to 60% for the nine months ended September 30, 2015. Average money market checking and savings accounts were 28% of average total deposits for the nine months ended September 30, 2016, compared to 31% for the nine months ended September 30, 2015. Average CD balances were 9% of average total deposits for both the nine months ended September 30, 2016 and 2015.

Borrowings

Interest expense on borrowings was $64.2 million for the nine months ended September 30, 2016, compared to $66.5 million for the nine months ended September 30, 2015, a decrease of $2.3 million, or 3%.

Interest expense on short-term borrowings was $2.8 million for the nine months ended September 30, 2016, compared to $549,000 for the nine months ended September 30, 2015, an increase of $2.3 million. The increase was primarily due to an increase in average short-term borrowings to $632.2 million, compared to $127.2 million for the nine months ended September 30, 2015. The average cost of short-term borrowings was 0.60% for the nine months ended September 30, 2016, compared to 0.58% for the nine months ended September 30, 2015.

Interest expense on long-term FHLB advances was $50.3 million for the nine months ended September 30, 2016, compared to $57.8 million for the nine months ended September 30, 2015, a decrease of $7.5 million, or 13%. The decrease was primarily due to a decrease in average long-term FHLB advances to $4.3 billion, compared to $4.9 billion for the nine months ended September 30, 2015, a decrease of 13%. The average cost of long-term FHLB advances was 1.57% for both the nine months ended September 30, 2016 and 2015. Average long-term FHLB advances were 8% of total average interest-bearing liabilities for the nine months ended September 30, 2016, compared to 11% for the nine months ended September 30, 2015.

Interest expense on our fixed-rate senior notes for both the nine months ended September 30, 2016 and 2015 was $7.7 million, and includes interest at a coupon rate of 2.375%, increased by amortization of issuance discounts and offering costs.

Interest expense on our fixed-rate subordinated notes for the nine months ended September 30, 2016 was $3.0 million and includes interest at a coupon rate of 4.375%, increased by amortization of issuance discounts and offering costs. The subordinated notes were issued in August 2016.

Provision for Loan Losses

The provision for loan losses was $36.7 million for the nine months ended September 30, 2016, compared to $43.4 million for the nine months ended September 30, 2015. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

	Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**
Investment management fees	$ 164,771	$ 128,924
Brokerage and investment fees	21,717	12,005
Trust fees	8,991	7,486
Foreign exchange fee income	16,022	16,104
Deposit fees	15,358	14,397
Gain on sale of loans	4,010	8,245
Loan servicing fees, net	10,443	9,288
Loan and related fees	10,447	9,232
Income from investments in life insurance	30,604	26,185
Gain (loss) on investment securities, net	2,418	1,336
Other income (loss)	1,197	1,700
Total noninterest income	$ 285,978	$ 234,902

Noninterest income for the nine months ended September 30, 2016 was $286.0 million, an increase of $51.1 million, or 22%, compared to $234.9 million for the nine months ended September 30, 2015. The increase in noninterest income was primarily due to increases in investment management fees, brokerage and investment fees and income from investments in life insurance, partially offset by a decrease in gain on sale of loans.

Investment management fees. Investment management fees were $164.8 million for the nine months ended September 30, 2016, a 28% increase from $128.9 million for the nine months ended September 30, 2015. The increase in investment management fees was due to an increase in AUM from the addition of assets from both existing and new clients and from fees earned from assets acquired in the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. The addition of client assets was the result of growth in investment management services to Bank clients, acquiring new clients, the successful marketing efforts of existing portfolio managers and the hiring of experienced portfolio managers who brought their clients with them.

Brokerage and investment fees. Brokerage and investment fees were $21.7 million for the nine months ended September 30, 2016, an 81% increase from $12.0 million for the nine months ended September 30, 2015. The increase was primarily due to increased trading volume and higher balances of AUA.

Trust fees. Trust fees for the nine months ended September 30, 2016 were $9.0 million, an increase of 20%, compared to $7.5 million for the nine months ended September 30, 2015. The increase was primarily due to increases in assets under custody or administration from existing and new clients. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

Foreign exchange fee income. We earned $16.0 million on foreign exchange business for the nine months ended September 30, 2016, compared to $16.1 million for the nine months ended September 30, 2015. The amount of foreign exchange fees is primarily driven by volume of activity from both existing and new clients.

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $15.4 million for the nine months ended September 30, 2016, compared to $14.4 million for the nine months ended September 30, 2015, an increase of 7%.

Gain on sale of loans. The gain on the sale of $2.3 billion of loans was $4.0 million, or approximately 17 basis points on the loans sold for the nine months ended September 30, 2016, compared to net gains of $8.2 million on loan sales of $2.1 billion, or 40 basis points on the loans sold for the nine months ended September 30, 2015. The lower level of gain on sales for the nine months ended September 30, 2016 was the result of lower margins.

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

($ in thousands)	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Contractually specified servicing fees	$ 20,226	$ 18,919
Amortization expense	(9,783)	(9,631)
Loan servicing fees, net	$ 10,443	$ 9,288

Contractual servicing fees increased 7% to $20.2 million for the nine months ended September 30, 2016, compared to $18.9 million for the nine months ended September 30, 2015, primarily due to the growth in the servicing portfolio. The average servicing portfolio for the nine months ended September 30, 2016 was $10.7 billion, compared to $10.0 billion a year ago, an increase of 7%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for both the nine months ended September 30, 2016 and 2015.

Loan and related fees. Loan and related fee income was $10.4 million for the nine months ended September 30, 2016, an increase of 13%, compared to $9.2 million for the nine months ended September 30, 2015. We collected prepayment penalty fees on loans serviced for others of $3.9 million for the nine months ended September 30, 2016, compared to $3.7 million for the nine months ended September 30, 2015.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $30.6 million for the nine months ended September 30, 2016, compared to $26.2 million for the nine months ended September 30, 2015, an increase of 17%. The increase was due to higher average balances of investments in life insurance from continued purchases and a gain of $2.3 million from life insurance proceeds.

Gain (loss) on investment securities, net. Net gain on investment securities was $2.4 million for the nine months ended September 30, 2016, compared to $1.3 million for the nine months ended September 30, 2015. The gain on investment securities for the nine months ended September 30, 2016 was primarily due to the repositioning of a modest portion of the Bank's investment portfolio.

Noninterest Expense

The following table presents noninterest expense:

	Nine Months Ended September 30,	
($ in thousands)	2016	2015
Salaries and employee benefits	$ 562,538	$ 428,169
Information systems	110,124	85,698
Occupancy	86,862	79,636
Professional fees	37,942	56,535
FDIC assessments	31,200	25,750
Advertising and marketing	22,616	17,945
Amortization of intangibles	19,163	14,827
Other expenses	106,567	86,125
Total noninterest expense	$ 977,012	$ 794,685

Noninterest expense was $977.0 million for the nine months ended September 30, 2016, compared to $794.7 million for the nine months ended September 30, 2015, an increase of $182.3 million, or 23%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, information systems costs and occupancy costs, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the continued investments in the expansion of the franchise and regulatory compliance activities, along with growth across all areas of the Bank.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20. We capitalized loan origination costs of $75.1 million for the nine months ended September 30, 2016, compared to $61.3 million for the nine months ended September 30, 2015, an increase of $13.8 million, or 23%.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 60.6% for the nine months ended September 30, 2016, compared to 59.0% for the nine months ended September 30, 2015. The increase in the efficiency ratio was primarily attributable to the continued investments in the expansion of the franchise and regulatory compliance activities, along with growth across all areas of the Bank.

Salaries and employee benefits. Salaries and employee benefit expenses were $562.5 million for the nine months ended September 30, 2016, a 31% increase from $428.2 million for the nine months ended September 30, 2015. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities.

Information systems. Expenses for information systems were $110.1 million for the nine months ended September 30, 2016, a 29% increase from $85.7 million for the nine months ended September 30, 2015. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth, as well as to enhance our regulatory compliance infrastructure.

Occupancy. Occupancy costs were $86.9 million for the nine months ended September 30, 2016, a 9% increase from $79.6 million for the nine months ended September 30, 2015. The increase in occupancy costs was primarily due to expanding our office space in existing markets for new employees and increased rental costs in certain locations.

Professional fees. Professional fees were $37.9 million for the nine months ended September 30, 2016, a decrease of 33%, compared to $56.5 million for the nine months ended September 30, 2015. The decrease in professional fees was primarily due to transitioning from consultant spending to permanent staffing for regulatory compliance activities.

FDIC assessments. FDIC assessments were $31.2 million for the nine months ended September 30, 2016, a 21% increase from $25.8 million for the nine months ended September 30, 2015. The increase was primarily due to the new FDIC assessment surcharge effective in the third quarter of 2016 and a higher assessment base as a result of the growth in assets, partially offset by a decrease in our assessment rate.

Advertising and marketing. Advertising and marketing expenses were $22.6 million for the nine months ended September 30, 2016, compared to $17.9 million for the nine months ended September 30, 2015, an increase of 26%. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth. Such activities increased in the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015.

Amortization of intangibles. Amortization expense for the nine months ended September 30, 2016 was $19.2 million, an increase of 29%, compared to $14.8 million for the nine months ended September 30, 2015. The increase in amortization expense was due to the addition of customer relationship intangible assets from the Constellation asset purchase in the fourth quarter of 2015.

Other expenses. Other expenses were $106.6 million for the nine months ended September 30, 2016, compared to $86.1 million for the nine months ended September 30, 2015, an increase of $20.4 million, or 24%. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, cash management, custody and clearing, and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and AUM and AUA, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

	Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**
Deposit client related costs	$ 19,630	$ 16,250
Loan related costs	12,017	8,230
Travel and entertainment	11,647	8,649
Subscriptions	8,211	5,530
Insurance expense	7,563	7,227
Recruiting fees	5,578	6,247
Other operating expenses	41,921	33,992
Total other expenses	$ 106,567	$ 86,125

Provision for Income Taxes

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities. During the second quarter of 2016, the Bank adopted the amendments to ASC 718, retroactively effective as of January 1, 2016. As a result of this new guidance, excess tax benefits from exercise or vesting of share-based awards are now included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. For further discussion of ASC 718, see Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements."

The Bank's effective tax rate for the nine months ended September 30, 2016 was 17.5%, compared to 24.9% for the nine months ended September 30, 2015. The effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and, beginning January 1, 2016, the amount of excess tax benefits. The decrease in the effective tax rate for the nine months ended September 30, 2016 resulted primarily from increased tax benefits from exercised stock options, low income housing tax credit investments and tax-exempt securities.

Business Segments

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

The principal business activities of the Commercial Banking segment are attracting funds from the general public, originating loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: (1) interest earned on loans and investment securities, (2) gains on sales of loans, (3) fees earned in connection with loan and deposit services and (4) income earned on loans serviced for investors. Principal expenses for this segment are interest incurred on interest-bearing liabilities, including deposits and borrowings, general and administrative costs and provision for loan losses.

Our Wealth Management segment consists of (i) First Republic Investment Management, Inc. ("FRIM"); (ii) our money market mutual fund activities through third-party providers and the brokerage activities of First Republic Securities Company, LLC ("FRSC") (these two activities collectively, "Brokerage and Investment"); (iii) First Republic Trust Company, a division of the Bank, and First Republic Trust Company of Delaware LLC ("FRTC Delaware") (collectively, the "Trust Company"); and (iv) our foreign exchange activities. The Wealth Management segment's primary sources of revenue are fees earned for the management or administration of clients' assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for managing the Bank's investment portfolio and a deposit earnings credit for deposit accounts that are maintained at the Bank, including sweep deposits. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 14 to "Item 1. Financial Statements."

Commercial Banking

Net interest income for Commercial Banking was $1.3 billion for the nine months ended September 30, 2016, an increase of 18% from $1.1 billion for the nine months ended September 30, 2015. The increase in net interest income was primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $36.7 million for the nine months ended September 30, 2016, compared to $43.4 million for the nine months ended September 30, 2015. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest income for Commercial Banking was $73.9 million for the nine months ended September 30, 2016, compared to $69.3 million for the nine months ended September 30, 2015, an increase of 7%. The increase was primarily due to higher income from investments in life insurance, loan servicing fees and gain on investment securities, partially offset by lower gain on sale of loans.

Noninterest expense for Commercial Banking was $787.4 million for the nine months ended September 30, 2016, compared to $651.6 million for the nine months ended September 30, 2015, an increase of 21%. The increase was primarily due to higher salaries and employee benefits and information systems expenses, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the continued investments in the expansion of the franchise and regulatory compliance activities, along with growth across all areas of the Bank.

Wealth Management

Net interest income for Wealth Management was $42.1 million for the nine months ended September 30, 2016, compared to $27.4 million for the nine months ended September 30, 2015, an increase of 53%. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees earned for Wealth Management sweep deposits. Net interest income increased primarily as a result of growth in deposits.

Wealth Management client deposits totaled $7.0 billion and $3.7 billion at September 30, 2016 and 2015, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $5.7 billion and $3.5 billion for the nine months ended September 30, 2016 and 2015, respectively. As noted above, Wealth Management is allocated a deposit earnings credit and fees as net interest income, which is included in the Wealth Management results. Annualized net interest income as a percentage of the average deposits generated by Wealth Management represented 0.99% for the nine months ended September 30, 2016, compared to 1.05% for the nine months ended September 30, 2015.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's very holistic approach to generating a full relationship with our clients is demonstrated by the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated net interest margin and core net interest margin were 3.19% and 3.14%, respectively, for the nine months ended September 30, 2016 and 3.23% and 3.10%, respectively, for the nine months ended September 30, 2015. For a reconciliation of core net interest margin to its equivalent GAAP measure, see "—Use of Non-GAAP Financial Measures." Using this overall net interest margin and the average Wealth Management deposits for each respective period, the Wealth Management deposits generated, on a consolidated basis, net interest income of approximately $133.2 million for the nine months ended September 30, 2016 and $80.9 million for the nine months ended September 30, 2015.

Noninterest income for Wealth Management was $230.0 million for the nine months ended September 30, 2016, compared to $177.0 million for the nine months ended September 30, 2015, an increase of 30%. The increase was primarily due to higher investment management fees and brokerage and investment fees. Fees and other revenues increased as a result of an increase in AUM and AUA primarily due to growth in services offered to Bank clients, the addition of new clients and the hiring of new personnel, who also brought in additional clients. In addition, beginning in the fourth quarter of 2015, fees were earned from assets acquired in the Constellation asset purchase.

Noninterest expense for Wealth Management was $207.5 million for the nine months ended September 30, 2016, compared to $154.5 million for the nine months ended September 30, 2015, an increase of 34%. The increase was primarily due to higher incentive compensation levels due to growth in our business, along with the addition of wealth management professionals, including new personnel from Constellation. We continue to expand our client base capabilities in all markets to grow this segment.

AUM and AUA in the Wealth Management segment, in aggregate, were $80.2 billion at September 30, 2016, an increase of 36% compared to a year ago. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, including the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
First Republic Investment Management	$ 40,103	$ 38,288	$ 36,872	$ 35,230	$ 28,969
Brokerage and investment:					
Brokerage	31,058	28,644	27,296	26,059	19,746
Money market mutual funds	1,902	1,610	1,906	4,155	3,012
Total brokerage and investment	32,960	30,254	29,202	30,214	22,758
Trust Company:					
Trust	3,171	3,434	3,343	3,375	3,618
Custody	3,954	3,835	4,004	3,474	3,477
Total Trust Company	7,125	7,269	7,347	6,849	7,095
Total AUM and AUA	$ 80,188	$ 75,811	$ 73,421	$ 72,293	$ 58,822

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
AUM and AUA:				
Beginning balance	$ 75,811	$ 57,565	$ 72,293	$ 53,377
Net client flow	2,582	4,089	4,879	7,941
Market appreciation (depreciation)	1,795	(2,832)	3,016	(2,496)
Ending balance	$ 80,188	$ 58,822	$ 80,188	$ 58,822

Investment Management Services. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity and fixed income, balanced and alternative investments for our clients. In addition, we employ experienced investment advisors to work with our relationship managers to generate new AUM using an open architecture platform. Total investment management fees earned were $164.8 million for the nine months ended September 30, 2016, compared to $128.9 million for the nine months ended September 30, 2015, an increase of 28%. 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 portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. The increase was also the result of fees earned from the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. FRIM's AUM were $40.1 billion at September 30, 2016, compared to $29.0 billion at September 30, 2015, an increase of 38%.

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

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

Brokerage and Investment Activities. We perform brokerage and investment activities for clients through FRSC. We employ portfolio managers to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors, and to offer sales of insurance and annuity products to clients. These portfolio managers can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $21.7 million for the nine months ended September 30, 2016, compared to $12.0 million for the nine months ended September 30, 2015, an increase of 81%. The increase was primarily due to increased trading volume and higher balances of AUA. At September 30, 2016, we held $33.0 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $22.8 billion at September 30, 2015, an increase of 45%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware and Florida. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Total trust fees earned were $9.0 million for the nine months ended September 30, 2016, compared to $7.5 million for the nine months ended September 30, 2015, an increase of 20%. The increase was primarily due to increased assets under custody or administration from existing and new clients. At both September 30, 2016 and 2015, assets under custody or administration were $7.1 billion. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
First Republic Investment Management	0.58%	0.61%	0.58%	0.60%
Brokerage and investment:				
Brokerage	0.07%	0.08%	0.09%	0.08%
Money market mutual funds	0.26%	0.02%	0.20%	0.02%
Total brokerage and investment	0.08%	0.07%	0.09%	0.08%
Trust Company:				
Trust	0.24%	0.20%	0.24%	0.20%
Custody	0.11%	0.10%	0.10%	0.10%
Total Trust Company	0.17%	0.15%	0.17%	0.15%
Total	0.34%	0.35%	0.35%	0.35%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	September 30, 2016	December 31, 2015
Available-for-sale:		
U.S. Treasury securities	$ 111,753	$ 149,391
Agency residential MBS	54,239	640,105
Other residential MBS	7,910	10,511
Agency commercial MBS	1,488,192	2,062,679
Securities of U.S. states and political subdivisions—taxable	47,550	47,436
Marketable equity securities	927	679
Total	$ 1,710,571	$ 2,910,801
Held-to-maturity:		
U.S. Government-sponsored agency securities	$ 944,977	$ 817,125
Agency residential MBS	1,688,912	1,830,353
Other residential MBS	1,904	2,482
Agency commercial MBS	2,086,735	109,365
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	6,166,106	4,573,397
Tax-exempt nonprofit debentures	152,848	154,865
Taxable municipal securities	53,053	53,091
Total	$ 11,094,535	$ 7,540,678

The total combined investment securities portfolio represented 19% of total assets at September 30, 2016, compared to 18% at December 31, 2015. During the nine months ended September 30, 2016, we continued to purchase securities considered HQLA, including agency commercial MBS and U.S. Government-sponsored agency securities, which further enhanced our on-balance sheet liquidity. In addition, we continued purchasing tax-exempt municipal securities.

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

The average duration of the $1.7 billion available-for-sale portfolio was 2.5 years at September 30, 2016, compared to 3.6 years at December 31, 2015. The average duration of the $11.1 billion held-to-maturity portfolio was 7.5 years at September 30, 2016, compared to 8.3 years at December 31, 2015.

At September 30, 2016, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio was well-diversified with an average issuer position of approximately $11.8 million. The tax-exempt nonprofit debentures are securities issued through state and local agencies where we have a banking relationship with nonprofit entities. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

Loan Portfolio

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

($ in millions)	September 30, 2016	December 31, 2015
Unpaid principal balance:		
Single family (1-4 units)	$ 24,924	$ 23,092
Home equity lines of credit	2,575	2,370
Multifamily (5+ units)	6,227	5,371
Commercial real estate	5,206	4,463
Single family construction	497	437
Multifamily/commercial construction	847	693
Total real estate mortgages	40,276	36,426
Business	7,129	6,232
Stock secured	871	521
Other secured	684	542
Unsecured	925	424
Total other loans	9,609	7,719
Total unpaid principal balance	49,885	44,145
Net unaccreted discount	(85)	(108)
Net deferred fees and costs	59	46
Carrying value	49,859	44,083
Allowance for loan losses	(296)	(261)
Loans, net	49,563	43,822
Single family loans held for sale	514	49
Total	$ 50,077	$ 43,871

The following table presents an analysis of the unpaid principal balance of our loan portfolio at September 30, 2016, including single family loans held for sale, by property type and major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Single family (1-4 units)	$ 10,919	$ 5,781	$ 3,802	$ 2,420	$ 686	$ 61	$ 1,769	$ 25,438	51%
Home equity lines of credit	1,059	512	420	311	79	2	192	2,575	5%
Multifamily (5+ units)	3,202	1,133	680	165	477	72	498	6,227	12%
Commercial real estate	2,441	1,053	696	190	154	161	511	5,206	10%
Business	3,082	1,166	1,164	709	279	138	591	7,129	14%
Construction	389	229	440	27	42	6	211	1,344	3%
Stock and other secured	393	375	188	173	15	91	320	1,555	3%
Unsecured	248	238	202	117	37	18	65	925	2%
Total	$ 21,733	$ 10,487	$ 7,592	$ 4,112	$ 1,769	$ 549	$ 4,157	$ 50,399	100%
% by location at September 30, 2016	43%	21%	15%	8%	4%	1%	8%	100%	
% by location at December 31, 2015	44%	20%	15%	8%	4%	1%	8%	100%	

At September 30, 2016 and December 31, 2015, approximately 51% and 53%, respectively, of total loans (based on unpaid principal balance) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans.

The Bank's loan portfolio includes: (1) floating-rate loans tied to Prime, London Interbank Offered Rate ("LIBOR"), the Eleventh District Cost of Funds Index ("COFI"), and other rates such as 1-year Constant Maturity Treasury ("CMT"), which are currently adjustable or adjustable within one year or less; (2) hybrid-rate loans, for which the initial rate is fixed for a period from one year to as much as ten years; and (3) fixed-rate loans, for which the interest rate does not change through the life of the loan. The following table presents the unpaid principal balance of our loan portfolio at September 30, 2016, including single family loans held for sale, by rate type:

	Floating Rate					Hybrid	Fixed	
($ in millions)	Prime	LIBOR	COFI	Other	Total	Rate	Rate	Total
Single family (1-4 units)	$ 270	$ 3,101	$ 2,392	$ 128	$ 5,891	$ 17,844	$ 1,703	$ 25,438
Home equity lines of credit	2,566	8	—	—	2,574	—	1	2,575
Multifamily (5+ units)	187	338	1,506	8	2,039	2,723	1,465	6,227
Commercial real estate	223	298	509	1	1,031	2,093	2,082	5,206
Business	2,665	1,115	12	—	3,792	105	3,232	7,129
Construction	511	72	—	—	583	5	756	1,344
Stock and other secured	375	1,072	—	—	1,447	19	89	1,555
Unsecured	168	65	—	—	233	—	692	925
Total	$ 6,965	$ 6,069	$ 4,419	$ 137	$17,590	$ 22,789	$10,020	$ 50,399
% by rate type	14%	12%	9%	0%	35%	45%	20%	100%

Single Family

We originate single family loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At September 30, 2016, approximately $18.0 billion, or 71%, of the unpaid principal balance of our single family loan portfolio, including loans held for sale, fully and evenly amortize until maturity following an initial interest-only period of generally ten years. Such loans were $16.3 billion, or 70%, of our single family loan portfolio, at December 31, 2015. At September 30, 2016, loans of this type had a weighted average loan-to-value ("LTV") of approximately 59%, based on appraised value at the time of origination, and had credit scores averaging 759 at origination. Less than 1% of such home loans had an LTV at origination of more than 80%.

The following table presents additional LTV information at origination for all single family loans, including loans held for sale, as of September 30, 2016:

	September 30, 2016	
($ in thousands)	Unpaid principal balance	% of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 12,520,492	49.2%
Greater than 60% to 70%	8,467,432	33.3%
Greater than 70% to 80%	4,388,593	17.3%
Greater than 80%	61,520	0.2%
Total	$ 25,438,037	100.0%

We do not originate single family loans with the characteristics generally described as "subprime" or "high cost." Subprime loans are typically made to borrowers with little or no cash reserves and poor or limited credit. Often, subprime loans are underwritten using limited documentation. Over the past two years, the single family loans originated by us had a weighted average credit score of 764, and all of our home loans were underwritten using full documentation.

HELOCs

Our single family HELOC product requires the payment of interest each month on the outstanding balance. During the first ten years of the loan term, principal amounts may be repaid or drawn at the borrower's option; thereafter, the unpaid principal balance fully and evenly amortizes over a period of fifteen years. We underwrite HELOCs based on the same standards as single family home loans. As a result, our delinquency and loss experience on HELOCs has been similar to the experience for single family loans.

For HELOCs that are in second lien position, the LTVs in the table below are presented on a combined LTV ("CLTV") basis, including the total HELOC commitment and any balance on a first residential mortgage. As of September 30, 2016, 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 as of September 30, 2016:

	September 30, 2016		
($ in thousands)	Unpaid principal balance	Total commitment	% of unpaid principal balance of portfolio
CLTV at Origination			
Less than or equal to 60%	$ 1,497,228	$ 4,110,475	58.1%
Greater than 60% to 70%	771,399	1,733,445	30.0%
Greater than 70% to 80%	301,589	660,763	11.7%
Greater than 80%	5,037	11,882	0.2%
Total	$ 2,575,253	$ 6,516,565	100.0%

Multifamily

At September 30, 2016 and December 31, 2015, the unpaid principal balance of multifamily loans was $6.2 billion and $5.4 billion, respectively. At September 30, 2016 and December 31, 2015, included in this portfolio were $2.3 billion and $1.6 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At September 30, 2016, for multifamily loans that allow for interest-only payments, the weighted average LTV was 51% based on the appraised value at the time of origination. Additionally, at September 30, 2016 and December 31, 2015, we had committed to lend $236.6 million and $162.7 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance related to these commitments at September 30, 2016 and December 31, 2015 was $93.6 million and $82.2 million, respectively, representing 1.5% of the portfolio at both September 30, 2016 and December 31, 2015; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate

At September 30, 2016 and December 31, 2015, the unpaid principal balance of commercial real estate loans was $5.2 billion and $4.5 billion, respectively. At September 30, 2016 and December 31, 2015, included in this portfolio were $1.4 billion and $1.2 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At September 30, 2016, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 45% based on the appraised value at the time of origination. Additionally, at September 30, 2016 and December 31, 2015, we had committed to lend $256.7 million and $134.2 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance related to these commitments at September 30, 2016 and December 31, 2015 was $95.5 million and $67.3 million, respectively, representing 1.8% of the portfolio at September 30, 2016, compared to 1.5% at December 31, 2015; these lines of credit also allow for interest-only payments for an initial period.

Business

At September 30, 2016 and December 31, 2015, the unpaid principal balance of business loans was $7.1 billion and $6.2 billion, respectively. The following table presents the unpaid principal balance and total commitment for business loans by type:

($ in thousands)	September 30, 2016 Unpaid principal balance	September 30, 2016 Total commitment	December 31, 2015 Unpaid principal balance	December 31, 2015 Total commitment
Private Equity/Venture Capital Funds	$ 2,566,783	$ 6,131,800	$ 1,663,661	$ 4,727,991
Schools/Non-profit Organizations	2,548,740	3,139,962	2,384,009	2,979,279
Investment Firms	286,479	974,232	464,929	971,484
Entertainment Industry	314,783	622,156	336,086	658,666
Real Estate Related Entities	367,573	690,339	300,615	635,227
Professional Service Firms	215,189	431,021	207,911	420,396
Aviation/Marine	265,714	274,474	262,772	268,476
Clubs and Membership Organizations	166,940	202,218	181,565	225,856
Vineyards/Wine	148,280	192,120	147,500	192,127
Other	248,277	425,802	283,330	556,458
Total	$ 7,128,758	$ 13,084,124	$ 6,232,378	$ 11,635,960

Loan Originations

Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans. At September 30, 2016, approximately 39% of our total loans were adjustable-rate or mature within one year. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through September 30, 2016, we have originated approximately $162 billion of loans, of which approximately $30 billion have been sold to investors.

Total loan originations were $6.5 billion for the third quarter of 2016, compared to $4.9 billion for the third quarter of 2015, an increase of 33% due to an increase in originations of single family loans, business lending and multifamily loans. The volume and type of loan originations depends on the level of interest rates, the demand for home loans in our markets and other economic conditions.

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

($ in thousands)	Quarter Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Single family (1-4 units)	$ 2,805,361	$ 1,863,396	$ 7,551,306	$ 5,998,303
Home equity lines of credit	454,529	452,048	1,362,807	1,176,995
Multifamily (5+ units)	566,528	371,266	1,799,560	1,158,688
Commercial real estate	311,466	321,578	907,850	1,051,703
Construction	410,538	434,155	861,924	986,817
Business	1,529,400	1,127,386	3,434,861	3,794,763
Stock and other secured	207,241	172,802	1,073,454	538,308
Unsecured	190,836	122,787	794,810	256,914
Total loans originated	$ 6,475,899	$ 4,865,418	$ 17,786,572	$ 14,962,491

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

	Quarter Ended				
LTVs for New Originations	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**
Single family (1-4 units)	56%	56%	56%	57%	57%
Home equity lines of credit [1]	51%	54%	52%	53%	51%
Multifamily (5+ units)	51%	49%	47%	54%	55%
Commercial real estate	48%	50%	46%	49%	43%
Construction	51%	57%	52%	53%	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 last five quarters and are indicative of the high quality of the Bank's underwriting standards.

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

	Quarter Ended				
Weighted Average Credit Scores	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**
Single family (1-4 units)	763	755	763	758	759
Home equity lines of credit	765	758	764	764	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 past five quarters:

	Quarter Ended				
Purchase and Refinance Composition	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**
Purchase loans	42%	44%	46%	51%	50%
Refinance loans	58%	56%	54%	49%	50%
Total	100%	100%	100%	100%	100%

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

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

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

[1] Including loans held for sale.

[2] Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

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

Asset Quality

We place an asset on nonaccrual status when any installment of principal or interest is 90 days or more past due (except for single family loans that are well secured and in the process of collection) or when management determines the ultimate collection of all contractually due principal or interest to be unlikely. Restructured loans for which we grant payment or significant interest rate concessions ("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 payments.

Our collection policies are highly focused with respect to both our portfolio loans and loans serviced for others. We have policies requiring rapid notification of delinquency and the prompt initiation of collection actions. Our practice is to attempt to resolve problem assets quickly, including the aggressive pursuit of foreclosure or other workout procedures or the sale of such problem assets as rapidly as possible at prices available in the prevailing market. For certain properties, we may make repairs and engage management companies in order to reach stabilized levels of occupancy prior to asset disposition. We believe our collection and foreclosure procedures comply with all applicable laws and regulations. We currently have a low level of loans in foreclosure and have not needed to suspend any of our foreclosure activities.

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

($ in thousands)	September 30, 2016	December 31, 2015
Nonaccrual loans:		
Single family (1-4 units)	$ 25,834	$ 21,330
Home equity lines of credit	10,007	11,211
Multifamily (5+ units)	4,579	8,690
Commercial real estate	310	5,519
Multifamily/commercial construction	—	11,600
Business	11,630	14,726
Unsecured	399	469
Total nonaccrual loans	52,759	73,545
Other real estate owned	1,196	—
Total nonperforming assets	$ 53,955	$ 73,545
Nonperforming assets to total assets	0.08%	0.12%
Restructured accruing loans	$ 13,968	$ 14,043
Accruing loans 90 days or more past due	$ 3,083	$ 4,199

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

Of the loans on nonaccrual status, at September 30, 2016, approximately $32.5 million were current, compared to $35.5 million at December 31, 2015.

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

Allowance for Loan Losses

We establish an allowance for loan losses for the inherent risk of probable losses, based upon established criteria, including the type of loan, loan characteristics, our and the industry's historical loss experience, and economic trends. Our allowance for loan losses is adjusted quarterly to maintain a level estimated by management to be appropriate to provide for losses that can be reasonably anticipated based upon specific conditions at the time. Our allowance for loan losses methodology, including allocation to specific loans and between the loan portfolio categories, requires management's consideration of a number of factors.

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

We also maintain 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. We use qualitative factors that are intended to address developing external and internal environmental trends and include considerations, such as changes in current economic and business conditions, the nature and volume of the Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, and other external factors, such as competition and the legal and regulatory environment. As disclosed in Note 3, "Loans and Allowance for Loan Losses," in "Item 1. Financial Statements", as of September 30, 2016, the unallocated qualitative reserve was allocated to the individual loan portfolios. The allocation considered 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 table presents an analysis of our allowance for loan losses, including provisions for loan losses, charge-offs and recoveries:

($ in thousands)	At or for the Quarter Ended September 30, 2016	At or for the Quarter Ended September 30, 2015	At or for the Nine Months Ended September 30, 2016	At or for the Nine Months Ended September 30, 2015
Allowance for loan losses:				
Balance at beginning of period	$ 278,731	$ 235,868	$ 261,058	$ 207,342
Provision	18,000	14,502	36,692	43,394
Charge-offs:				
Single family (1-4 units)	(389)	(70)	(1,413)	(70)
Home equity lines of credit	(229)	—	(272)	(197)
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	(67)	—	(93)	(95)
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	—	(4)	(19)	(166)
Total charge-offs	(685)	(74)	(1,797)	(528)
Recoveries:				
Single family (1-4 units)	7	2	14	2
Home equity lines of credit	26	28	78	28
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	17	14	31	42
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	9	68	29	128
Total recoveries	59	112	152	200
Net loan (charge-offs) recoveries	(626)	38	(1,645)	(328)
Balance at end of period	$ 296,105	$ 250,408	$ 296,105	$ 250,408
Average total loans for the period	$ 48,547,087	$ 41,880,671	$ 46,430,456	$ 39,882,205
Total loans at period end	$ 49,858,815	$ 42,351,545	$ 49,858,815	$ 42,351,545
Total nonaccrual loans	$ 52,759	$ 51,987	$ 52,759	$ 51,987
Ratios:				
Net charge-offs (recoveries) to:				
Average total loans (annualized)	0.01%	0.00%	0.00%	0.00%
Allowance for loan losses to:				
Total loans	0.59%	0.59%	0.59%	0.59%
Nonaccrual loans	561.2%	481.7%	561.2%	481.7%

At September 30, 2016, the allowance for loan losses was 0.59% of our total loan portfolio.

We reduce purchase accounting discounts from the Bank's re-establishment as an independent institution for charge-offs of contractual amounts outstanding, which are not included in the allowance for loan losses rollforward above. The following table summarizes net loan charge-offs recorded both against the allowance for loan losses and against loan discounts, as well as the related percentage of net loan charge-offs to average loans:

	Quarter Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
($ in thousands)	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount
Net charge-offs (recoveries) to:								
Allowance for loan losses	0.01%	$ 626	0.00%	$ (38)	0.00%	$ 1,645	0.00%	$ 328
Loan discounts	0.00%	80	0.00%	234	0.00%	93	0.00%	240
Total	0.01%	$ 706	0.00%	$ 196	0.00%	$ 1,738	0.00%	$ 568

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

Mortgage Banking Activities

In addition to originating loans for our own portfolio, we conduct mortgage banking activities. We have sold whole loans and participations in loans in the secondary market and in loan securitizations. We originate, on a direct flow basis, single family mortgages that are priced and underwritten to conform to previously agreed-upon criteria prior to loan funding and are delivered to the investor shortly after funding. We have also identified secondary market sources that seek to acquire loans of the type we originate for our loan portfolio. In addition, from 2000 to 2002, we periodically sold loans in underwritten, agency-rated securitizations.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Single family loans originated	$ 2,805,361	$ 1,863,396	$ 7,551,306	$ 5,998,303
Loans sold:				
Agency	$ 137,949	$ 71,923	$ 253,906	$ 199,884
Non-agency	810,006	527,814	2,092,514	1,861,773
Total loans sold	$ 947,955	$ 599,737	$ 2,346,420	$ 2,061,657
Gain on sale of loans:				
Amount	$ 1,785	$ 2,957	$ 4,010	$ 8,245
Gain as a percentage of loans sold	0.19%	0.49%	0.17%	0.40%

The lower level of gain on sale of loans for the third quarter of 2016 and nine months ended September 30, 2016, compared to the same periods in 2015 was primarily the result of lower margins. The level of future loan originations, loan sales and loan repayments depends on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset/liability management strategies.

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

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

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Loans serviced for others	$ 11,493,627	$ 10,549,679	$ 11,493,627	$ 10,549,679
Loan servicing fees, net	$ 3,182	$ 3,135	$ 10,443	$ 9,288

Mortgage loans serviced for investors increased to $11.5 billion at September 30, 2016, from $10.5 billion at September 30, 2015, due to loan sales exceeding repayments in the servicing portfolio over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At September 30, 2016, MSRs were $60.4 million (53 basis points of loans serviced), compared to $53.6 million (51 basis points of loans serviced) at September 30, 2015.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts, and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At September 30, 2016 and December 31, 2015, our total deposits were $55.1 billion and $47.9 billion, respectively.

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than $250,000 and all brokered deposits), provide a stable source of low cost funding. Core deposits totaled $52.5 billion and $42.6 billion at September 30, 2016 and December 31, 2015, respectively, and represented 95% and 89% of total deposits at September 30, 2016 and December 31, 2015, respectively.

Deposits increased 15% at September 30, 2016 compared to December 31, 2015 as the Bank continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer. The following table presents deposits by region in which the accounts are serviced. Our retail locations that gather deposits are designated as "Preferred Banking Offices."

($ in thousands)	September 30, 2016	December 31, 2015
Preferred Banking Offices		
Northern California	$ 10,274,050	$ 9,734,028
Metropolitan New York	3,942,087	3,237,685
Southern California	2,364,804	2,205,547
Boston	1,049,497	931,740
Subtotal	17,630,438	16,109,000
Preferred Banking		
Northern California	13,421,042	11,122,942
Metropolitan New York	7,976,866	7,684,232
Southern California	4,596,297	4,134,553
Boston	5,411,161	4,238,716
Subtotal	31,405,366	27,180,443
Wealth management sweep	5,073,666	3,716,797
Other	952,227	887,225
Total deposits	$ 55,061,697	$ 47,893,465

Overall, deposits in our Preferred Banking Offices grew 9% since December 31, 2015, with most of such growth coming from checking and savings deposits. This increase has resulted from growth of existing client relationships, client referrals, our general marketing initiatives, growth in services offered to Bank clients and the service skills of individual employees. Deposit growth has been primarily in personal and business checking accounts.

Preferred Banking deposits grew 16% since December 31, 2015, mostly in checking. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank, with the increases since December 31, 2015 resulting from the continued expansion of our wealth management business. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

The following table presents consumer and business deposits:

($ in thousands)	September 30, 2016	December 31, 2015
Consumer deposits:		
Checking	$ 11,217,445	$ 10,981,999
Money market checking	3,887,516	3,135,860
Money market savings and passbooks	5,438,810	5,228,669
CDs	4,419,199	4,047,629
	24,962,970	23,394,157
Business deposits:		
Checking	22,495,756	19,297,371
Money market checking	4,493,865	2,620,961
Money market savings	2,687,931	2,041,727
CDs	421,175	539,249
	30,098,727	24,499,308
Total	$ 55,061,697	$ 47,893,465

We fund a portion of our assets with CDs that have balances greater than $250,000 and that have maturities generally in excess of six months. At September 30, 2016 and December 31, 2015, our CDs having balances greater than $250,000 totaled $2.1 billion and $1.8 billion, respectively. The following table presents the maturities of our CDs greater than $250,000 in size:

($ in thousands)	September 30, 2016 Greater than $250,000
Remaining maturity:	
Three months or less	$ 584,573
Over three through six months	392,063
Over six through twelve months	461,421
Over twelve months	662,223
Total	$ 2,100,280
Percent of total deposits	4%

At September 30, 2016 and December 31, 2015, the weighted average contractual rate paid on CDs was 1.16% and 1.21%, respectively. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	September 30, 2016	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
Certificates of deposit maturing in:		
October 1 - December 31, 2016	$ 1,016,393	0.69%
2017	2,059,114	0.88%
2018	732,485	1.29%
2019	494,488	2.09%
2020	380,043	2.22%
2021 and thereafter	157,851	1.95%
Total	$ 4,840,374	1.16%

Other Funding

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

Securities Sold under Agreements to Repurchase

As of September 30, 2016, securities sold under agreements to repurchase ("repurchase agreement") were $100.0 million. The repurchase agreement matures in the second quarter of 2017 and is collateralized by tax-exempt municipal securities. The repurchase agreement has a floating rate, which resets daily, and was 1.78% at September 30, 2016.

FHLB Advances

As of September 30, 2016, we had short-term FHLB advances of $100.0 million.

Our long-term, laddered maturity, fixed-rate FHLB advances as of September 30, 2016 were $4.6 billion. The weighted average remaining maturity of long-term FHLB advances was 1.7 years at September 30, 2016.

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

	September 30, 2016	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
FHLB advances maturing in:		
October 1 - December 31, 2016	$ 300,000	1.03%
2017	1,450,000	1.49%
2018	1,475,000	1.61%
2019	1,175,000	1.38%
2020	—	—%
2021	200,000	1.50%
Total	$ 4,600,000	1.47%

Unsecured, Term, Fixed-Rate Senior Notes

As of September 30, 2016, the Bank had unsecured, term, fixed-rate senior notes with a carrying value of $397.8 million, which were issued in June 2014. The senior notes bear a contractual interest rate of 2.375% and mature on June 17, 2019.

Unsecured, Term, Fixed-Rate Subordinated Notes

As of September 30, 2016, the Bank had unsecured, term, fixed-rate subordinated notes with a carrying value of $387.3 million, which were issued in August 2016. The subordinated notes bear a contractual interest rate of 4.375% and mature on August 1, 2046. Such notes qualify as Tier 2 capital.

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at September 30, 2016 was $18.7 billion and $5.6 billion, respectively. This available borrowing capacity is supported by already pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity. At September 30, 2016, our investment securities portfolio of $12.8 billion and cash and cash equivalents of $1.4 billion collectively comprised 21% of total assets. At September 30, 2016, we increased our holdings of assets that are considered HQLA, including eligible cash, to $6.7 billion, compared to $5.8 billion at December 31, 2015.

At September 30, 2016, we had $18.7 billion of available borrowing capacity at the FHLB supported by already pledged loans. In addition, we had $5.6 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged investment securities. Unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 36% of total assets.

We may also, from time to time, issue additional common stock, preferred stock, senior or subordinated notes or other forms of capital or debt instruments, depending on our capital, funding, asset-liability management or other needs as market conditions warrant and subject to any required regulatory approvals. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

During the nine months ended September 30, 2016, our loan originations, net of repayments, were $8.0 billion and our investment purchases, net of sales, calls and paydowns, were $2.1 billion. These activities were primarily funded by a net increase in deposits of $7.2 billion, the sale of $2.3 billion of loans and a net increase in long-term FHLB advances of $600.0 million. In addition, during the nine months ended September 30, 2016, we completed a public offering of noncumulative perpetual preferred stock, which added $145.2 million to equity and we sold 2.9 million shares of new common stock, which added $202.2 million to common equity. During the nine months ended September 30, 2016, we also completed a public offering of unsecured subordinated notes of $400 million, with net proceeds of $387.3 million. The subordinated notes bear a contractual fixed rate of 4.375% and will mature on August 1, 2046.

We had $100.0 million short-term FHLB advances outstanding at September 30, 2016. We primarily use these short-term borrowings to fund short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit changes. The Bank had loans held for sale of $514.3 million which were committed to be delivered to investors in the fourth quarter of 2016.

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

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

Capital Resources

At September 30, 2016, our total equity was $6.4 billion, which included $5.3 billion of common shareholders' equity and $1.1 billion of the Bank's noncumulative perpetual preferred stock. At December 31, 2015, our total equity was $5.7 billion, which included $4.7 billion of common shareholders' equity and $989.5 million of the Bank's noncumulative perpetual preferred stock. At September 30, 2016 and December 31, 2015, the Bank's noncumulative perpetual preferred stock was 18% of Tier 1 capital.

At September 30, 2016, our Tier 2 capital included $387.3 million of subordinated notes maturing in 2046, the allowance for loan losses of $296.1 million, and the reserve for unfunded commitments of $11.5 million. At December 31, 2015, our Tier 2 capital included the allowance for loan losses of $261.1 million and the reserve for unfunded commitments of $12.4 million.

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

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

On August 1, 2016, we completed a public offering of $400 million of 30-year term, 4.375% fixed rate, unsecured subordinated notes. These subordinated notes qualify as Tier 2 capital. We intend to use $199.5 million of the proceeds from the subordinated notes offering to redeem our 6.70% Series A Preferred Stock, which becomes redeemable at the Bank's option on January 30, 2017.

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

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

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

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

	Actual (Transitional)	Fully Phased-in [(1)]	Actual (Transitional)	Regulatory Requirements		
($ in thousands)	September 30, 2016		December 31, 2015	Well-Capitalized Ratio	Minimum Capital Ratio (Transitional) [(2)]	Fully Phased-in Minimum Capital Ratio [(2)]
Capital Ratios						
Tier 1 leverage ratio (Tier 1 capital to average assets)	9.26%	9.19%	9.21%	5.00%	4.00%	4.00%
Common Equity Tier 1 capital to risk-weighted assets	10.52%	10.40%	10.76%	6.50%	5.125%	7.00%
Tier 1 capital to risk-weighted assets	12.88%	12.77%	13.13%	8.00%	6.625%	8.50%
Total capital to risk-weighted assets	14.33%	14.22%	13.78%	10.00%	8.625%	10.50%
Regulatory Capital [(3)]						
Common Equity Tier 1 capital	$ 5,046,133	$ 4,993,523	$ 4,502,206			
Tier 1 capital	$ 6,180,343	$ 6,133,048	$ 5,491,731			
Total capital	$ 6,875,478	$ 6,828,182	$ 5,765,254			
Assets [(3)]						
Average assets	$ 66,758,108	$ 66,710,813	$ 59,603,505			
Risk-weighted assets	$ 47,969,927	$ 48,013,280	$ 41,839,779			

(1) Certain adjustments required under the Basel III Capital Rules will be phased in through the end of 2018. The ratios and amounts shown in this column are calculated assuming a fully phased-in basis of all such adjustments as if they were effective as of September 30, 2016.

(2) Beginning on January 1, 2016, a capital conservation buffer is added to the minimum risk-based capital ratios and will be fully implemented on January 1, 2019. The minimum ratios represent adequately capitalized ratios plus the capital conservation buffer of 0.625% (currently effective in 2016), and on a fully phased-in basis of 2.5% (effective in 2019). As of September 30, 2016, our capital conservation buffer was 6.02%, which exceeded both the transitional buffer of 0.625% and the fully phased-in minimum requirements of 2.5%.

(3) As defined by regulatory capital rules.

Use of Non-GAAP Financial Measures

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

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

In addition, in the second quarter of 2015, the Bank received a one-time special dividend of $9.1 million from the FHLB. Management has also excluded the positive impact of this item from the non-GAAP net interest margin.

We believe these two non-GAAP measures, when taken together with the corresponding GAAP measures, provide meaningful supplemental information regarding our performance. Our management uses, and believes that investors benefit from referring to, these non-GAAP measures and ratios in assessing our operating results and related trends. However, these non-GAAP measures should be considered in addition to, and not as a substitute for or preferable to, the measurements prepared in accordance with GAAP. In the tables below, we have provided a reconciliation of, where applicable, the most comparable GAAP financial measures to the non-GAAP financial measures, or a reconciliation of the non-GAAP calculation of the financial measure:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Yield on average loans				
Interest income on loans	$ 403,299	$ 348,367	$ 1,154,980	$ 1,004,208
Add: Tax-equivalent adjustment on loans	11,513	10,045	33,132	28,086
Interest income on loans (tax-equivalent basis)	414,812	358,412	1,188,112	1,032,294
Less: Accretion	(7,804)	(9,663)	(22,761)	(33,493)
Core interest income on loans (tax-equivalent basis) (non-GAAP)	$ 407,008	$ 348,749	$ 1,165,351	$ 998,801
Average loans	$ 49,030,453	$ 42,143,922	$ 46,839,497	$ 40,163,701
Add: Average unaccreted loan discounts	90,723	125,315	98,345	136,763
Average loans (non-GAAP)	$ 49,121,176	$ 42,269,237	$ 46,937,842	$ 40,300,464
Yield on average loans—reported [(1)]	3.35%	3.36%	3.36%	3.41%
Contractual yield on average loans (non-GAAP) [(1)]	3.28%	3.26%	3.29%	3.29%
Net interest margin				
Net interest income	$ 460,604	$ 388,881	$ 1,326,537	$ 1,111,964
Add: Tax-equivalent adjustment	44,443	35,619	125,731	97,425
Net interest income (tax-equivalent basis)	505,047	424,500	1,452,268	1,209,389
Less: Accretion/amortization	(7,804)	(9,663)	(22,761)	(34,499)
Less: One-time special FHLB dividend	—	—	—	(9,134)
Core net interest income (tax-equivalent basis) (non-GAAP)	$ 497,243	$ 414,837	$ 1,429,507	$ 1,165,756
Average interest-earning assets	$ 63,449,110	$ 53,017,023	$ 60,400,017	$ 49,759,575
Add: Average unaccreted loan discounts	90,723	125,315	98,345	136,763
Average interest-earning assets (non-GAAP)	$ 63,539,833	$ 53,142,338	$ 60,498,362	$ 49,896,338
Net interest margin—reported [(1)]	3.16%	3.17%	3.19%	3.23%
Core net interest margin (non-GAAP) [(1)]	3.11%	3.09%	3.14%	3.10%

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management

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

We manage interest rate risk primarily by originating and retaining adjustable-rate loans and hybrid ARM loans with initial short or intermediate-term fixed rates and funding these assets with checking and savings accounts, short and intermediate-term CDs, long-term, laddered maturity, fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes and subordinated notes. We have also utilized overnight and short-term borrowings to fund certain short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit changes. As an active and ongoing part of our ALM strategy, we have regularly sold long-term, fixed-rate single family mortgage loan originations and a portion of our single family hybrid ARM loan originations into the secondary market through ongoing, or "flow," transactions. We have also sold a portion of our single family hybrid ARM and fixed-rate loan originations in bulk loan transactions or securitizations. We sold $2.3 billion of loans during the nine months ended September 30, 2016.

Our net interest income and net interest margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 64% of total earning assets at September 30, 2016, compared to 67% at December 31, 2015. Among remaining earning assets with reset periods of less than one year, those that reprice at least quarterly to market rate indices, such as Prime or LIBOR, totaled 25% of earning assets at September 30, 2016 and 24% of earning assets at December 31, 2015. Those earning assets with lagging indices, such as COFI and the CMT totaled 11% of earning assets at September 30, 2016 and 9% of earning assets at December 31, 2015. Together, earning assets with reset periods of less than one year totaled 36% and 33% at September 30, 2016 and December 31, 2015, respectively.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together comprised 30% and 27% of total deposits at September 30, 2016 and December 31, 2015, respectively. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which bear only a nominal interest rate that has tended not to fluctuate much with changes in interest rates historically. Total checking deposits comprised 61% and 63% of total deposits at September 30, 2016 and December 31, 2015, respectively. CDs comprised 9% and 10% of total deposits at September 30, 2016 and December 31, 2015, respectively, and had a weighted average remaining maturity of 15.5 months and 17.4 months at the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At September 30, 2016, we did not have any interest rate exchange agreements for hedging purposes.

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

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

Evaluation of Current Interest Rate Risk

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

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

The following table summarizes the interest rate gap analysis of our assets and liabilities at September 30, 2016:

($ in millions)	12 Months or Less	>1 to 2 Years	>2 to 5 Years	>5 Years or Not Rate Sensitive	Total
Repricing and Maturing Term Assets:					
Cash and investments	$ 3,098	$ 477	$ 3,743	$ 6,874	$ 14,192
Loans, net [1], [2]	22,952	4,796	12,419	9,910	50,077
Other assets	146	—	1,266	2,313	3,725
Total assets	26,196	5,273	17,428	19,097	$ 67,994
Liabilities and Equity:					
Checking [3]	$ 15,136	$ —	$ —	$ 18,577	$ 33,713
Money market checking and savings deposits [3]	10,357	—	—	6,151	16,508
CDs	2,724	1,062	1,029	25	4,840
Short-term borrowings	200	—	—	—	200
Long-term FHLB advances	1,350	1,525	1,725	—	4,600
Senior notes	—	—	398	—	398
Subordinated notes	—	—	—	387	387
Other liabilities	7	—	—	897	904
Equity	350	—	200	5,894	6,444
Total liabilities and equity	30,124	2,587	3,352	31,931	$ 67,994
Repricing gap—positive (negative)	$ (3,928)	$ 2,686	$ 14,076	$ (12,834)	
Cumulative repricing gap:					
Dollar amount	$ (3,928)	$ (1,242)	$ 12,834		
Percent of total assets	(5.8)%	(1.8)%	18.9%		

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

(2) Includes loans held for sale.

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

Although we believe we are effectively managing our current exposure to changes in interest rates, we may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, the future level of loan repayments, purchases of investment securities, and changes in other assets.

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

Net Interest Income Simulation. We use a simulation model to measure and evaluate potential changes in our contractual net interest income, which excludes the impact of purchase accounting. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. Our net interest income simulation model incorporates various assumptions, which management believes to be reasonable but which may have a significant impact on results, such as: (1) the timing of changes in interest rates,

(2) shifts or rotations in the yield curve, (3) repricing characteristics for market rate sensitive instruments on and off the balance sheet, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate floors, periodic loan caps and lifetime loan caps, (7) the levels of cash held on our balance sheet and (8) overall growth, product mix and repayment rates of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate ALM strategies.

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning September 30, 2016, are presented in the following table. The projections assume both (a) parallel shifts upward of 100 and 200 basis points and parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
	Twelve Months Ending September 30, 2017	**Twelve Months Ending September 30, 2018**
Change in Market Interest Rates		
Shock:		
+200 basis points immediately	9.6 %	18.4 %
+100 basis points immediately	5.2 %	10.3 %
-100 basis points immediately	(8.1)%	(14.7)%
-200 basis points immediately	(9.1)%	(16.3)%
Ramp:		
+200 basis points over next 12 months	4.3 %	14.6 %
+100 basis points over next 12 months	2.3 %	8.3 %
-100 basis points over next 12 months	(4.4)%	(13.5)%
-200 basis points over next 12 months	(6.6)%	(15.9)%

As of September 30, 2016, the Bank is slightly asset sensitive, indicating that it would generally benefit from increases in interest rates, particularly when viewed over a two-year horizon. This assertion is supported by the positive variances in net interest income observed when we compare two-year earnings simulation results in rising rate scenarios to a scenario in which rates remain unchanged. In a hypothetical rising rate environment, we benefit from certain adjustable-rate loans, currently at or beneath their contractual floors, which would begin to reprice upward given an increase in interest rates, projected new loan volume modeled with increasing contractual interest rates and modeled trends in deposit balances and mix. In a hypothetical declining rate environment in which interest rates drop even lower than where they are currently, we experience a reduction in net interest income as variable funding sources, such as money market savings and checking deposits, reach natural floors while average yields on interest-earning assets continue to decline. In addition, if the current interest rates, particularly medium and longer-term rates, remain low for a prolonged period of time, we may experience further compression in our net interest margin as our weighted average loan yield continues to decline and deposit costs remain near their natural floors. Generally, simulation results depict the effect of changes in interest rates more rapidly in scenarios of immediate rate changes than in scenarios in which rates change over an extended period due primarily to differences in assumptions such as repayment speeds and yields on projected new loan volume.

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

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Our management, including our chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of September 30, 2016, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There are risks, many beyond our control, which could cause our results to differ significantly from management's expectations. For a description of these risks, please see the risk factors previously described in Part I, "Item 1A. Risk Factors" in our 2015 Form 10-K. Any of the risks described in our 2015 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

During the third quarter of 2016, we sold 29,698 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $1.9 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 third quarter of 2016, we granted 12,000 restricted stock units, net of forfeitures, that are time vesting. In addition, we granted 11,455 restricted stock units, net of forfeitures, that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees, officers and directors, and had an aggregate grant date fair value of $1.7 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.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

12	Statement of Computation of Ratios of: Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST REPUBLIC BANK

November 7, 2016	/s/ Michael J. Roffler
	Michael J. Roffler Executive Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
12	Statement of Computation of Ratios of: Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends.
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EXHIBIT 12

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

	Quarter Ended		Nine Months Ended		Year Ended				
($ in thousands)	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Earnings before adjustment for fixed charges:									
Income before income taxes and noncontrolling interest in subsidiaries	$ 202,139	$ 178,229	$ 598,811	$ 508,787	$ 690,668	$ 669,883	$ 663,559	$ 601,347	$ 564,652
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	(2,676)	(7,774)
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	(13,200)	—
Earnings before adjustment for fixed charges	$ 202,139	$ 178,229	$ 598,811	$ 508,787	$ 690,668	$ 669,883	$ 663,559	$ 585,471	$ 556,878
Fixed charges and preferred stock dividend requirements:									
I. Excluding interest on deposits:									
Interest on borrowings	$ 24,049	$ 21,244	$ 64,183	$ 66,488	$ 86,357	$ 91,795	$ 71,026	$ 57,205	$ 33,950
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	2,676	7,774
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	13,200	—
Estimated interest component of net rental expense	6,613	5,165	18,434	15,791	21,400	18,733	17,658	16,777	12,884
Total fixed charges, excluding interest on deposits	30,662	26,409	82,617	82,279	107,757	110,528	88,684	89,858	54,608
Preferred stock dividend requirements	30,221	26,633	89,066	75,850	102,483	96,619	70,732	32,597	—
Fixed charges and preferred stock dividend requirements	$ 60,883	$ 53,042	$ 171,683	$ 158,129	$ 210,240	$ 207,147	$ 159,416	$ 122,455	$ 54,608
Earnings, including fixed charges	$ 232,801	$ 204,638	$ 681,428	$ 591,066	$ 798,425	$ 780,411	$ 752,243	$ 675,329	$ 611,486
Ratio of earnings to fixed charges	7.59x	7.75x	8.25x	7.18x	7.41x	7.06x	8.48x	7.52x	11.20x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.82x	3.86x	3.97x	3.74x	3.80x	3.77x	4.72x	5.51x	11.20x
II. Including interest on deposits:									
Interest on borrowings	$ 24,049	$ 21,244	$ 64,183	$ 66,488	$ 86,357	$ 91,795	$ 71,026	$ 57,205	$ 33,950
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	2,676	7,774
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	13,200	—
Estimated interest component of net rental expense	6,613	5,165	18,434	15,791	21,400	18,733	17,658	16,777	12,884
Interest on deposits	19,661	15,903	52,559	44,434	61,072	60,454	60,817	56,981	83,268
Total fixed charges, including interest on deposits	50,323	42,312	135,176	126,713	168,829	170,982	149,501	146,839	137,876
Preferred stock dividend requirements	30,221	26,633	89,066	75,850	102,483	96,619	70,732	32,597	—
Fixed charges and preferred stock dividend requirements	$ 80,544	$ 68,945	$ 224,242	$ 202,563	$ 271,312	$ 267,601	$ 220,233	$ 179,436	$ 137,876
Earnings, including fixed charges	$ 252,462	$ 220,541	$ 733,987	$ 635,500	$ 859,497	$ 840,865	$ 813,060	$ 732,310	$ 694,754
Ratio of earnings to fixed charges	5.02x	5.21x	5.43x	5.02x	5.09x	4.92x	5.44x	4.99x	5.04x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.13x	3.20x	3.27x	3.14x	3.17x	3.14x	3.69x	4.08x	5.04x

EXHIBIT 31.1

CERTIFICATION

I, James H. Herbert, II, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Republic Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2016

/s/ James H. Herbert, II

Name: James H. Herbert, II

Title: Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael J. Roffler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Republic Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2016

/s/ Michael J. Roffler

Name: Michael J. Roffler

Title: Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer
Pursuant to §906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chairman and Chief Executive Officer of First Republic Bank (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2016

/s/ James H. Herbert, II

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

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to §906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2016

/s/ Michael J. Roffler

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