# FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

# FORM 10-Q

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

For the quarterly period ended June 30, 2017

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

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

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

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

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of July 31, 2017 was 157,756,460.

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## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements.**

## FIRST REPUBLIC BANK
## CONSOLIDATED BALANCE SHEETS
## (Unaudited)

| (in thousands, except share amounts) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,295,125 | $ 2,107,722 |
| Investment securities available-for-sale | 2,235,923 | 2,007,258 |
| Investment securities held-to-maturity (fair value of $14,852,674 and $13,153,861 at June 30, 2017 and December 31, 2016, respectively) | 14,642,402 | 13,150,157 |
| Loans | 57,760,075 | 52,008,317 |
| Less: Allowance for loan losses | (338,307) | (306,398) |
| Loans, net | 57,421,768 | 51,701,919 |
| Loans held for sale | 202,348 | 407,226 |
| Investments in life insurance | 1,292,238 | 1,273,172 |
| Tax credit investments | 1,113,378 | 1,121,416 |
| Prepaid expenses and other assets | 1,146,712 | 923,324 |
| Premises, equipment and leasehold improvements, net | 260,308 | 207,592 |
| Goodwill | 203,177 | 203,177 |
| Other intangible assets | 101,539 | 112,399 |
| Mortgage servicing rights | 61,383 | 62,410 |
| Other real estate owned | 1,930 | — |
| Total Assets | $ 80,978,231 | $ 73,277,772 |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing checking | $ 25,769,912 | $ 22,740,303 |
| Interest-bearing checking | 14,374,273 | 14,575,890 |
| Money market checking | 9,019,626 | 7,969,787 |
| Money market savings and passbooks | 8,099,880 | 8,203,340 |
| Certificates of deposit | 6,030,015 | 5,113,061 |
| Total Deposits | 63,293,706 | 58,602,381 |
| Short-term borrowings | 150,000 | 100,000 |
| Long-term FHLB advances | 7,550,000 | 5,900,000 |
| Senior notes | 893,865 | 397,955 |
| Subordinated notes | 776,895 | 387,380 |
| Debt related to variable interest entities | 22,519 | 25,973 |
| Other liabilities | 1,031,163 | 955,431 |
| Total Liabilities | 73,718,148 | 66,369,120 |
| Shareholders’ Equity: | | |
| Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 990,000 and 1,139,525 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | 990,000 | 1,139,525 |
| Common stock, $0.01 par value per share; 400,000,000 shares authorized; 157,686,167 and 154,292,487 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | 1,577 | 1,543 |
| Additional paid-in capital | 3,525,283 | 3,301,705 |
| Retained earnings | 2,741,041 | 2,459,540 |
| Accumulated other comprehensive income | 2,182 | 6,339 |
| Total Shareholders’ Equity | 7,260,083 | 6,908,652 |
| Total Liabilities and Shareholders’ Equity | $ 80,978,231 | $ 73,277,772 |

See accompanying notes to financial statements.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands, except per share amounts)** | **2017** | **2016** | **2017** | **2016** |
| Interest income: | | | | |
| Loans | $ 462,810 | $ 383,431 | $ 891,208 | $ 751,681 |
| Investments | 130,435 | 91,653 | 248,493 | 177,041 |
| Other | 2,784 | 2,931 | 6,155 | 5,746 |
| Cash and cash equivalents | 3,126 | 1,397 | 5,794 | 4,497 |
| Total interest income | 599,155 | 479,412 | 1,151,650 | 938,965 |
| Interest expense: | | | | |
| Deposits | 26,355 | 16,390 | 48,406 | 32,898 |
| Borrowings | 40,836 | 21,404 | 71,595 | 40,134 |
| Total interest expense | 67,191 | 37,794 | 120,001 | 73,032 |
| Net interest income | 531,964 | 441,618 | 1,031,649 | 865,933 |
| Provision for loan losses | 23,938 | 14,200 | 33,026 | 18,692 |
| Net interest income after provision for loan losses | 508,026 | 427,418 | 998,623 | 847,241 |
| Noninterest income: | | | | |
| Investment management fees | 68,819 | 55,168 | 129,714 | 107,928 |
| Brokerage and investment fees | 6,965 | 7,230 | 15,004 | 15,090 |
| Trust fees | 3,448 | 2,991 | 6,650 | 5,976 |
| Foreign exchange fee income | 7,081 | 5,244 | 12,942 | 10,562 |
| Deposit fees | 5,655 | 5,122 | 11,027 | 10,080 |
| Loan and related fees | 3,375 | 3,498 | 6,641 | 6,738 |
| Loan servicing fees, net | 3,577 | 3,512 | 6,348 | 7,261 |
| Gain on sale of loans | 841 | 822 | 4,205 | 2,225 |
| Gain (loss) on investment securities, net | (602) | (187) | (2,037) | 3,081 |
| Income from investments in life insurance | 9,538 | 9,513 | 19,173 | 18,539 |
| Other income | 675 | 544 | 1,164 | 1,227 |
| Total noninterest income | 109,372 | 93,457 | 210,831 | 188,707 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 221,929 | 183,281 | 443,836 | 369,198 |
| Information systems | 51,053 | 36,170 | 96,823 | 71,207 |
| Occupancy | 33,631 | 28,269 | 66,997 | 55,917 |
| Professional fees | 12,236 | 12,105 | 23,401 | 25,476 |
| FDIC assessments | 13,601 | 9,800 | 26,751 | 19,400 |
| Advertising and marketing | 11,560 | 8,257 | 20,586 | 15,447 |
| Amortization of intangibles | 5,293 | 6,386 | 10,860 | 13,047 |
| Other expenses | 47,797 | 35,814 | 86,385 | 69,584 |
| Total noninterest expense | 397,100 | 320,082 | 775,639 | 639,276 |
| Income before provision for income taxes | 220,298 | 200,793 | 433,815 | 396,672 |
| Provision for income taxes | 33,698 | 35,796 | 70,441 | 74,180 |
| Net income | 186,600 | 164,997 | 363,374 | 322,492 |
| Dividends on preferred stock | 14,344 | 17,376 | 29,496 | 33,836 |
| Net income available to common shareholders | $ 172,256 | $ 147,621 | $ 333,878 | $ 288,656 |
| Net income | $ 186,600 | $ 164,997 | $ 363,374 | $ 322,492 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net unrealized gain (loss) on securities available-for-sale | (1,636) | 3,434 | (4,813) | 21,167 |
| Reclassification of (gain) loss on securities available-for-sale to net income | 348 | 107 | 1,178 | (1,767) |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity | (279) | (442) | (522) | (470) |
| Other comprehensive income (loss) | (1,567) | 3,099 | (4,157) | 18,930 |
| Comprehensive income | $ 185,033 | $ 168,096 | $ 359,217 | $ 341,422 |
| Basic earnings per common share | $ 1.10 | $ 1.00 | $ 2.14 | $ 1.97 |
| Diluted earnings per common share | $ 1.06 | $ 0.97 | $ 2.07 | $ 1.90 |
| Dividends per common share | $ 0.17 | $ 0.16 | $ 0.33 | $ 0.31 |

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, 2015** | **146,109,790** | **$ 989,525** | **$ 1,461** | **$ 2,770,265** | **$ 1,949,652** | **$ (5,220)** | **$ 5,705,683** |
| Net income | — | — | — | — | 322,492 | — | 322,492 |
| Other comprehensive income | — | — | — | — | — | 18,930 | 18,930 |
| Issuance of preferred stock, net | — | 150,000 | — | (4,816) | — | — | 145,184 |
| Issuance of common stock, net | 2,875,000 | — | 29 | 202,137 | — | — | 202,166 |
| Stock compensation expense | — | — | — | 22,797 | — | — | 22,797 |
| Net issuance of common stock under stock plans | 737,618 | — | 7 | (31,215) | — | — | (31,208) |
| Dividends on preferred stock | — | — | — | — | (33,836) | — | (33,836) |
| Dividends on common stock | — | — | — | — | (45,995) | — | (45,995) |
| **Balance at June 30, 2016** | **149,722,408** | **$ 1,139,525** | **$ 1,497** | **$ 2,959,168** | **$ 2,192,313** | **$ 13,710** | **$ 6,306,213** |
| **Balance at December 31, 2016** | **154,292,487** | **$ 1,139,525** | **$ 1,543** | **$ 3,301,705** | **$ 2,459,540** | **$ 6,339** | **$ 6,908,652** |
| Net income | — | — | — | — | 363,374 | — | 363,374 |
| Other comprehensive loss | — | — | — | — | — | (4,157) | (4,157) |
| Issuance of preferred stock, net | — | 200,000 | — | (6,340) | — | — | 193,660 |
| Redemption of preferred stock | — | (349,525) | — | — | — | — | (349,525) |
| Issuance of common stock, net | 2,500,000 | — | 25 | 233,680 | — | — | 233,705 |
| Stock compensation expense | — | — | — | 30,933 | — | — | 30,933 |
| Net issuance of common stock under stock plans | 893,680 | — | 9 | (34,695) | — | — | (34,686) |
| Dividends on preferred stock | — | — | — | — | (29,496) | — | (29,496) |
| Dividends on common stock | — | — | — | — | (52,377) | — | (52,377) |
| **Balance at June 30, 2017** | **157,686,167** | **$ 990,000** | **$ 1,577** | **$ 3,525,283** | **$ 2,741,041** | **$ 2,182** | **$ 7,260,083** |

See accompanying notes to financial statements.

**FIRST REPUBLIC BANK**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| ($ in thousands) | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 363,374 | $ 322,492 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 33,026 | 18,692 |
| Depreciation, amortization and accretion, net | 31,739 | 20,166 |
| Amortization of mortgage servicing rights | 8,521 | 5,962 |
| Loans originated for sale | (256,707) | (289,323) |
| Proceeds from sales and principal repayments of loans held for sale | 256,109 | 234,765 |
| Deferred income taxes | 26,407 | 30,402 |
| Gain on sale of loans | (4,205) | (2,225) |
| (Gain) loss on investment securities, net | 2,037 | (3,081) |
| Noncash cost of stock plans | 30,933 | 22,797 |
| Increase in other assets | (86,657) | (98,751) |
| Increase (decrease) in other liabilities | 97,946 | (32,767) |
| Net Cash Provided by Operating Activities | 502,523 | 229,129 |
| Investing Activities: | | |
| Loan originations, net of principal collections | (6,358,495) | (5,022,829) |
| Loans purchased | (217,861) | (113,662) |
| Loans sold | 835,374 | 1,174,664 |
| Purchases of securities available-for-sale | (336,353) | (613,000) |
| Proceeds from sales of securities available-for-sale | 221,046 | 1,352,633 |
| Proceeds from paydowns of securities available-for-sale | 78,353 | 59,451 |
| Purchases of securities held-to-maturity | (1,830,627) | (2,685,063) |
| Proceeds from sales, calls and paydowns of securities held-to-maturity | 338,987 | 897,135 |
| Purchases of FHLB stock | (112,725) | (83,160) |
| Proceeds from redemptions of FHLB stock | — | 17,078 |
| Purchases of investments in life insurance | — | (51,371) |
| Net change in tax credit investments | (79,557) | (92,771) |
| Additions to premises, equipment and leasehold improvements, net | (86,899) | (35,733) |
| Net Cash Used for Investing Activities | (7,548,757) | (5,196,628) |
| Financing Activities: | | |
| Net increase in deposits | 4,691,439 | 3,266,339 |
| Net increase in short-term borrowings | 50,000 | 850,000 |
| Proceeds from long-term debt | 3,343,328 | 1,250,000 |
| Repayment of long-term debt | (800,000) | (200,000) |
| Payment of long-term debt issuance costs | (8,371) | — |
| Decrease in debt related to variable interest entities | (3,454) | (2,444) |
| Net proceeds from issuance of preferred stock | 193,660 | 145,184 |
| Redemption of preferred stock | (349,525) | — |
| Net proceeds from issuance of common stock | 233,705 | 202,166 |
| Proceeds from issuance of common stock under employee stock purchase plan | 4,783 | 3,959 |
| Proceeds from stock options exercised | — | 131 |
| Payments of employee taxes withheld from share-based awards | (40,055) | (35,058) |
| Dividends on preferred stock | (29,496) | (33,836) |
| Dividends on common stock | (52,377) | (45,995) |
| Net Cash Provided by Financing Activities | 7,233,637 | 5,400,446 |
| Increase in Cash and Cash Equivalents | 187,403 | 432,947 |
| Cash and Cash Equivalents at the Beginning of Period | 2,107,722 | 1,131,110 |
| Cash and Cash Equivalents at the End of Period | $ 2,295,125 | $ 1,564,057 |
| Supplemental Disclosure of Cash Flow Items | | |
| Cash paid during period: | | |
| Interest | $ 116,480 | $ 72,735 |
| Income taxes | $ 52,716 | $ 46,138 |
| Transfer of loans to held for sale | $ 633,119 | $ 1,517,803 |
| Transfer of loans to securities available-for-sale | $ 200,266 | $ 109,707 |
| Transfer of securities from available-for-sale to held-to-maturity | $ — | $ 781,165 |
| Transfer of repossessed assets from loans to other assets | $ 1,930 | $ 1,307 |

See accompanying notes to financial statements.

## Note 1. Summary of Significant Accounting Policies

*Basis of Presentation and Organization*

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 32 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"), First Republic Lending Corporation ("FRLC") and Gradifi, Inc. ("Gradifi"). 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, 2016, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2016 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*

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

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.

Gradifi is a corporate provider of education debt repayment benefit plans. Through Gradifi, employers can make direct contributions to education debt repayment for their employees.

*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 2017*

During the six months ended June 30, 2017, the Bank adopted the following accounting standards:

- In January 2017, the Financial Accounting Standards Board ("FASB") issued amendments to Accounting Standards Codification ("ASC") 805, "Business Combinations," which clarify the definition of a business, and provide additional guidance for determining whether transactions should be accounted for as an acquisition (or disposal) of assets or a business. Under the amendments, an initial test is performed to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If there is concentration, then the acquisition is not a business. If there is not concentration, then additional analysis is performed under the framework of the guidance to determine whether the set of assets and activities have an input and a substantive process that together significantly contribute to the ability to create an output. The amendments are effective for interim and annual periods beginning after December 15, 2017 and are applied prospectively, with early adoption permitted. The Bank early adopted this guidance effective as of January 1, 2017. This guidance did not have a material impact on the Bank's consolidated financial statements.

- In March 2016, the FASB issued amendments to ASC 323-10, "Investments—Equity Method and Joint Ventures," which simplify 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 and are applied prospectively. The adoption of this guidance did not have an impact on the Bank's consolidated financial statements.

- In March 2017, the FASB issued amendments to ASC 310 "Receivables—Nonrefundable Fees and Other Costs," which require the premium on purchased callable debt securities to be amortized to the earliest call date, rather than over the contractual life of the securities. The accounting for discounts on callable debt securities does not change. The amendments are effective for interim and annual periods beginning after December 15, 2018 and are applied using a modified retrospective approach, with early adoption permitted. The Bank early adopted this guidance during the quarter ended June 30, 2017, and has retroactively applied the guidance effective as of January 1, 2017. 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. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. In addition, quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. The Bank will adopt this guidance effective January 1, 2018 using a modified retrospective approach.

  ASC 606 applies to the Bank's following revenue streams: investment management, brokerage, trust and deposit fees. This guidance does not apply to interest income, which represents the majority of the Bank's revenues. Based on the assessment of its contracts with customers within these revenue streams to date, the Bank does not expect material changes to the timing or amount of revenue recognized upon adoption of the new guidance. The Bank is currently evaluating other aspects of the guidance, including contract costs and disclosures, and will continue to finalize its implementation conclusions.

- In January 2016, the FASB issued ASC 825, "Recognition and Measurement of Financial Assets and Financial Liabilities," which require certain equity investments to be measured at fair value, with changes in fair value recognized in net income. There are no changes to the accounting for debt securities or equity securities measured under the equity method. Upon adoption, the Bank's investments in marketable equity securities that are classified as available-for-sale will be measured at fair value with unrealized gains or losses reported in net income. The Bank's investments in non-marketable equity securities that are currently accounted for under the cost method will be measured either at fair value with unrealized gains and losses recognized in net income, or if elected, using an alternative method where securities are measured at cost less impairment, adjusted for observable price changes of the same or similar investment of the same issuer. 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 type. The amendments are effective for interim and annual periods beginning after December 15, 2017. In general, modified retrospective application is required but provisions related to non-marketable equity securities are applied prospectively. The Bank does not expect this guidance to have a material impact to 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 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 sheet.

- 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. This guidance is effective for interim and annual periods beginning after December 15, 2019 and is 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, "Statement of Cash Flows," which clarify or add 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 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 this guidance on its consolidated statements of cash flows.

- In January 2017, the FASB issued amendments to ASC 350, "Intangibles—Goodwill and Other," which simplify the accounting for goodwill impairment by removing Step 2 of the impairment test, which compared the implied fair value of goodwill to its carrying amount. Measuring the implied fair value of goodwill followed the same process as determining the fair value of individual assets and liabilities assumed in a business combination, which was complex. The amended guidance simplifies the impairment test to only require a comparison of the fair value of a reporting unit with its carrying amount, including the effect of tax deductible goodwill on the carrying amount of the reporting unit. Entities still have the option to perform a qualitative assessment to determine if the quantitative impairment test is needed. The amendments are effective for interim and annual periods beginning after December 15, 2019 and are applied on a prospective basis. Early adoption is permitted. The Bank does not expect this guidance to have a material impact to its consolidated financial statements.

- In May 2017, the FASB issued amendments to ASC 718 "Stock Compensation," which clarify when changes to share-based payment awards must be accounted for as modifications. Under the amended guidance, modification accounting is not required if the fair value, vesting conditions, or classification of the award (as equity or liability) are the same before and after the modification. The amendments are effective for interim and annual periods beginning after December 15, 2017 and are applied on a prospective basis to awards modified on or after the effective date. Early adoption is permitted. The Bank does not expect this guidance to have a material impact to its consolidated financial statements.

**Note 2. Investment Securities**

The following table presents information related to available-for-sale and held-to-maturity securities:

| ($ in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **June 30, 2017** | | | | |
| **Available-for-sale:** | | | | |
| U.S. Treasury securities | $ 110,924 | $ — | $ (480) | $ 110,444 |
| Agency residential mortgage-backed securities (“MBS”) | 41,177 | 250 | (481) | 40,946 |
| Other residential MBS | 6,634 | — | (39) | 6,595 |
| Agency commercial MBS | 2,029,688 | 3,242 | (4,820) | 2,028,110 |
| Securities of U.S. states and political subdivisions—taxable | 47,253 | 197 | — | 47,450 |
| Marketable equity securities | 1,807 | 571 | — | 2,378 |
| Total | $ 2,237,483 | $ 4,260 | $ (5,820) | $ 2,235,923 |
| **Held-to-maturity:** | | | | |
| U.S. Government-sponsored agency securities | $ 1,200,815 | $ 136 | $ (31,879) | $ 1,169,072 |
| Agency residential MBS | 2,800,768 | 2,694 | (43,455) | 2,760,007 |
| Other residential MBS | 1,750 | 33 | (15) | 1,768 |
| Agency commercial MBS | 2,601,492 | 446 | (38,958) | 2,562,980 |
| Securities of U.S. states and political subdivisions: | | | | |
| Tax-exempt municipal securities | 7,835,442 | 379,238 | (73,377) | 8,141,303 |
| Tax-exempt nonprofit debentures | 149,105 | 5,064 | (176) | 153,993 |
| Taxable municipal securities | 53,030 | 10,521 | — | 63,551 |
| Total | $ 14,642,402 | $ 398,132 | $ (187,860) | $ 14,852,674 |
| **December 31, 2016** | | | | |
| **Available-for-sale:** | | | | |
| U.S. Treasury securities | $ 111,515 | $ — | $ (486) | $ 111,029 |
| Agency residential MBS | 48,680 | 194 | (645) | 48,229 |
| Other residential MBS | 7,963 | — | (301) | 7,662 |
| Agency commercial MBS | 1,785,410 | 5,768 | (281) | 1,790,897 |
| Securities of U.S. states and political subdivisions—taxable | 47,246 | 247 | — | 47,493 |
| Marketable equity securities | 1,807 | 141 | — | 1,948 |
| Total | $ 2,002,621 | $ 6,350 | $ (1,713) | $ 2,007,258 |
| **Held-to-maturity:** | | | | |
| U.S. Government-sponsored agency securities | $ 993,179 | $ 71 | $ (47,482) | $ 945,768 |
| Agency residential MBS | 2,689,035 | 903 | (63,036) | 2,626,902 |
| Other residential MBS | 1,875 | 40 | (47) | 1,868 |
| Agency commercial MBS | 2,385,928 | 2,044 | (17,989) | 2,369,983 |
| Securities of U.S. states and political subdivisions: | | | | |
| Tax-exempt municipal securities | 6,876,777 | 281,703 | (166,321) | 6,992,159 |
| Tax-exempt nonprofit debentures | 150,322 | 4,331 | (491) | 154,162 |
| Taxable municipal securities | 53,041 | 9,978 | — | 63,019 |
| Total | $ 13,150,157 | $ 299,070 | $ (295,366) | $ 13,153,861 |

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the "FHLB") to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At June 30, 2017 and December 31, 2016, the carrying value of investment securities pledged was $7.6 billion and $6.5 billion, respectively, of which $337.9 million and $348.1 million of collateral was required to be pledged under such arrangements as of June 30, 2017 and December 31, 2016, respectively.

In addition, as of December 31, 2016, held-to-maturity tax-exempt municipal securities with a carrying value of $104.6 million and a fair value of $111.7 million were sold under an agreement to repurchase (the "repurchase agreement"). The liability for the securities sold under the repurchase agreement was $100.0 million as of December 31, 2016 and matured in the second quarter of 2017.

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

| | June 30, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | $ (480) | $ 110,444 | $ — | $ — | $ (480) | $ 110,444 | 2 |
| Agency residential MBS | (6) | 2,294 | (475) | 18,585 | (481) | 20,879 | 23 |
| Other residential MBS | — | — | (39) | 6,595 | (39) | 6,595 | 3 |
| Agency commercial MBS | (4,820) | 890,256 | — | — | (4,820) | 890,256 | 23 |
| Total | $ (5,306) | $1,002,994 | $ (514) | $ 25,180 | $ (5,820) | $1,028,174 | 51 |
| **Held-to-maturity:** | | | | | | | |
| U.S. Government-sponsored agency securities | $ (31,879) | $1,062,123 | $ — | $ — | $ (31,879) | $1,062,123 | 37 |
| Agency residential MBS | (43,455) | 2,399,316 | — | — | (43,455) | 2,399,316 | 68 |
| Other residential MBS | — | — | (15) | 1,255 | (15) | 1,255 | 4 |
| Agency commercial MBS | (38,958) | 2,392,876 | — | — | (38,958) | 2,392,876 | 63 |
| Securities of U.S. states and political subdivisions: | | | | | | | |
| Tax-exempt municipal securities | (63,552) | 1,945,051 | (9,825) | 94,384 | (73,377) | 2,039,435 | 233 |
| Tax-exempt nonprofit debentures | (176) | 27,935 | — | — | (176) | 27,935 | 2 |
| Total | $(178,020) | $7,827,301 | $ (9,840) | $ 95,639 | $(187,860) | $7,922,940 | 407 |

| | December 31, 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 | $ (486) | $ 111,029 | $ — | $ — | $ (486) | $ 111,029 | 2 |
| Agency residential MBS | (91) | 16,878 | (554) | 14,511 | (645) | 31,389 | 28 |
| Other residential MBS | — | — | (301) | 7,662 | (301) | 7,662 | 3 |
| Agency commercial MBS | (281) | 388,748 | — | — | (281) | 388,748 | 5 |
| Total | $ (858) | $ 516,655 | $ (855) | $ 22,173 | $ (1,713) | $ 538,828 | 38 |
| **Held-to-maturity:** | | | | | | | |
| U.S. Government-sponsored agency securities | $ (47,482) | $ 886,528 | $ — | $ — | $ (47,482) | $ 886,528 | 31 |
| Agency residential MBS | (63,036) | 2,472,610 | — | — | (63,036) | 2,472,610 | 67 |
| Other residential MBS | — | — | (47) | 1,315 | (47) | 1,315 | 4 |
| Agency commercial MBS | (17,989) | 1,828,094 | — | — | (17,989) | 1,828,094 | 47 |
| Securities of U.S. states and political subdivisions: | | | | | | | |
| Tax-exempt municipal securities | (166,321) | 2,647,244 | — | — | (166,321) | 2,647,244 | 323 |
| Tax-exempt nonprofit debentures | (491) | 21,745 | — | — | (491) | 21,745 | 1 |
| Total | $ (295,319) | $ 7,856,221 | $ (47) | $ 1,315 | $ (295,366) | $ 7,857,536 | 473 |

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.

*U.S. Government-Sponsored Agency Securities.* At June 30, 2017, the unrealized losses on the Bank's investments in U.S. Government-sponsored agency securities are primarily due to the increase in market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

*Agency Residential MBS and Agency Commercial MBS.* At June 30, 2017, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to the increase in market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by the U.S. Government or agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

*Tax-Exempt Municipal Securities.* At June 30, 2017, 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 six months ended June 30, 2017 and 2016.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Available-for-sale: | | | | |
| Sales proceeds | $ 49,252 | $ 346,067 | $ 221,046 | $ 1,352,633 |
| Held-to-maturity: | | | | |
| Sales proceeds | $ — | $ — | $ — | $ 8,614 |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Available-for-sale: | | | | |
| Gross realized gains on sales | $ — | $ 275 | $ 10 | $ 5,030 |
| Gross realized losses on sales | (602) | (462) | (2,047) | (1,957) |
| Held-to-maturity: | | | | |
| Gross realized gains on sales | — | — | — | 8 |
| Total gain (loss) on investment securities, net | $ (602) | $ (187) | $ (2,037) | $ 3,081 |

The following table presents interest income on investment securities:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Interest income on tax-exempt securities | $ 75,142 | $ 53,859 | $ 141,651 | $ 103,359 |
| Interest income on taxable securities | 55,293 | 37,794 | 106,842 | 73,682 |
| Total | $ 130,435 | $ 91,653 | $ 248,493 | $ 177,041 |

The following table presents contractual maturities of debt securities available-for-sale and held-to-maturity. Actual maturities for certain U.S. Government agency securities, U.S. Government-sponsored agency securities and municipal securities may occur earlier than their stated contractual maturities because the note issuers may have the right to call outstanding amounts ahead of their contractual maturities. In addition, the remaining contractual principal maturities for MBS do not consider prepayments. Expected remaining maturities for MBS can differ from contractual maturities because borrowers have the right to prepay their mortgage obligations, with or without penalties, prior to contractual maturity.

| | June 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| **($ in thousands)** | **Amortized Cost** | **Fair Value** | **Amortized Cost** | **Fair Value** |
| Available-for-sale: | | | | |
| Due in one year or less | $ 55,321 | $ 55,240 | $ 55,674 | $ 55,573 |
| Due after one year through five years | 69,207 | 68,966 | 70,390 | 70,048 |
| Due after five years through ten years | 1,216,888 | 1,219,354 | 919,092 | 919,990 |
| Due after ten years | 894,260 | 889,985 | 955,658 | 959,699 |
| Total debt securities | $ 2,235,676 | $ 2,233,545 | $ 2,000,814 | $ 2,005,310 |
| Held-to-maturity: | | | | |
| Due in one year or less | $ 91,481 | $ 93,059 | $ 89,209 | $ 90,352 |
| Due after one year through five years | 474,703 | 508,858 | 453,318 | 485,759 |
| Due after five years through ten years | 529,589 | 549,121 | 303,894 | 318,848 |
| Due after ten years | 13,546,629 | 13,701,636 | 12,303,736 | 12,258,902 |
| Total debt securities | $ 14,642,402 | $ 14,852,674 | $ 13,150,157 | $ 13,153,861 |

**Note 3. Loans and Allowance for Loan Losses**

*Loan Profile*

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At June 30, 2017 and December 31, 2016, approximately 51% and 52%, respectively, of the total loan portfolio was secured by California real estate. At June 30, 2017, approximately 69% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 71% at December 31, 2016.

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

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Single family (1-4 units) | $ 29,078,735 | $ 26,266,866 |
| Home equity lines of credit | 2,681,502 | 2,634,944 |
| Multifamily (5+ units) | 7,453,388 | 6,676,642 |
| Commercial real estate | 5,809,698 | 5,464,870 |
| Single family construction | 523,478 | 494,616 |
| Multifamily/commercial construction | 987,712 | 919,541 |
| Total real estate mortgages | 46,534,513 | 42,457,479 |
| Business | 7,981,609 | 6,872,327 |
| Stock secured | 994,413 | 822,908 |
| Other secured | 837,423 | 723,648 |
| Unsecured | 1,412,117 | 1,131,955 |
| Total other loans | 11,225,562 | 9,550,838 |
| Total loans | 57,760,075 | 52,008,317 |
| Less: | | |
| Allowance for loan losses | (338,307) | (306,398) |
| Loans, net | 57,421,768 | 51,701,919 |
| Single family loans held for sale | 202,348 | 407,226 |
| Total | $ 57,624,116 | $ 52,109,145 |

The Bank had pledged $29.9 billion and $27.4 billion of loans to secure borrowings of $7.7 billion and $5.9 billion from the FHLB as of June 30, 2017 and December 31, 2016, respectively, although only approximately $9.0 billion and $6.7 billion of collateral, respectively, was required in connection with the outstanding FHLB advances at each of these dates.

*Credit Quality*

The Bank has three classes of loans: (1) purchased non-impaired loans; (2) originated non-impaired loans; and (3) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under ASC 310-10-35, "Receivables—Subsequent Measurement," and purchased credit-impaired loans subject to ASC 310-30, "Receivables—Loans and Debt Securities Acquired with Deteriorated 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 tables below present an aging analysis of loans and loans on nonaccrual status by class. Of the loans on nonaccrual status, at June 30, 2017, $21.0 million were current, compared to $29.0 million at December 31, 2016.

| ($ in thousands) | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Current | Total Loans | 90 Days or More Past Due and Accruing | Nonaccrual |
|---|---|---|---|---|---|---|---|---|
| **At June 30, 2017** | | | | | | | | |
| Single Family (1-4 units): | | | | | | | | |
| Purchased non-impaired | $ 1,499 | $ — | $ 650 | $ 2,149 | $ 1,638,971 | $ 1,641,120 | $ — | $ 1,298 |
| Originated non-impaired | 75 | — | 172 | 247 | 27,403,409 | 27,403,656 | — | 172 |
| Impaired | — | — | 15,923 | 15,923 | 18,036 | 33,959 | — | 19,751 |
| | 1,574 | — | 16,745 | 18,319 | 29,060,416 | 29,078,735 | — | 21,221 |
| Home Equity Lines of Credit: | | | | | | | | |
| Purchased non-impaired | 125 | — | 1,759 | 1,884 | 268,451 | 270,335 | — | 1,976 |
| Originated non-impaired | — | — | — | — | 2,397,953 | 2,397,953 | — | — |
| Impaired | 787 | — | 3,873 | 4,660 | 8,554 | 13,214 | — | 8,100 |
| | 912 | — | 5,632 | 6,544 | 2,674,958 | 2,681,502 | — | 10,076 |
| Multifamily (5+ units): | | | | | | | | |
| Purchased non-impaired | 2,528 | — | — | 2,528 | 129,007 | 131,535 | — | — |
| Originated non-impaired | — | — | — | — | 7,307,442 | 7,307,442 | — | — |
| Impaired | — | — | — | — | 14,411 | 14,411 | — | 3,201 |
| | 2,528 | — | — | 2,528 | 7,450,860 | 7,453,388 | — | 3,201 |
| Commercial Real Estate: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 229,674 | 229,674 | — | — |
| Originated non-impaired | — | — | — | — | 5,569,538 | 5,569,538 | — | 296 |
| Impaired | — | — | — | — | 10,486 | 10,486 | — | — |
| | — | — | — | — | 5,809,698 | 5,809,698 | — | 296 |
| Single Family Construction: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 2,913 | 2,913 | — | — |
| Originated non-impaired | — | — | — | — | 520,565 | 520,565 | — | — |
| | — | — | — | — | 523,478 | 523,478 | — | — |
| Multifamily/Commercial Construction: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 1,167 | 1,167 | — | — |
| Originated non-impaired | — | — | — | — | 986,545 | 986,545 | — | — |
| | — | — | — | — | 987,712 | 987,712 | — | — |
| Business: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 218,757 | 218,757 | — | 692 |
| Originated non-impaired | 200 | 412 | — | 612 | 7,751,670 | 7,752,282 | — | 1,026 |
| Impaired | — | — | — | — | 10,570 | 10,570 | — | 5,529 |
| | 200 | 412 | — | 612 | 7,980,997 | 7,981,609 | — | 7,247 |
| Stock Secured: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 3,828 | 3,828 | — | — |
| Originated non-impaired | — | — | — | — | 990,585 | 990,585 | — | — |
| | — | — | — | — | 994,413 | 994,413 | — | — |
| Other Secured: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 9,385 | 9,385 | — | — |
| Originated non-impaired | — | — | — | — | 828,038 | 828,038 | — | — |
| | — | — | — | — | 837,423 | 837,423 | — | — |
| Unsecured: | | | | | | | | |
| Purchased non-impaired | 4 | — | — | 4 | 24,738 | 24,742 | — | 343 |
| Originated non-impaired | 1,523 | — | — | 1,523 | 1,384,906 | 1,386,429 | — | 64 |
| Impaired | — | — | — | — | 946 | 946 | — | 936 |
| | 1,527 | — | — | 1,527 | 1,410,590 | 1,412,117 | — | 1,343 |
| Total | $ 6,741 | $ 412 | $ 22,377 | $ 29,530 | $ 57,730,545 | $ 57,760,075 | $ — | $ 43,384 |

| ($ 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, 2016** | | | | | | | | |
| Single Family (1-4 units): | | | | | | | | |
| Purchased non-impaired. . . . | $ — | $ — | $ 900 | $ 900 | $ 1,782,497 | $ 1,783,397 | $ — | $ 1,566 |
| Originated non-impaired . . . | 233 | — | — | 233 | 24,444,726 | 24,444,959 | — | — |
| Impaired . . . . . . . . . . . . . . . . | — | 962 | 14,202 | 15,164 | 23,346 | 38,510 | — | 22,994 |
| | 233 | 962 | 15,102 | 16,297 | 26,250,569 | 26,266,866 | — | 24,560 |
| Home Equity Lines of Credit: | | | | | | | | |
| Purchased non-impaired. . . . | 200 | 512 | 1,321 | 2,033 | 306,524 | 308,557 | — | 1,506 |
| Originated non-impaired . . . | — | — | — | — | 2,311,998 | 2,311,998 | — | — |
| Impaired . . . . . . . . . . . . . . . . | — | — | 2,404 | 2,404 | 11,985 | 14,389 | — | 8,958 |
| | 200 | 512 | 3,725 | 4,437 | 2,630,507 | 2,634,944 | — | 10,464 |
| Multifamily (5+ units): | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 150,905 | 150,905 | — | — |
| Originated non-impaired . . . | — | — | — | — | 6,505,882 | 6,505,882 | — | — |
| Impaired . . . . . . . . . . . . . . . . | — | — | — | — | 19,855 | 19,855 | — | 4,516 |
| | — | — | — | — | 6,676,642 | 6,676,642 | — | 4,516 |
| Commercial Real Estate: | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 267,801 | 267,801 | — | — |
| Originated non-impaired . . . | — | — | — | — | 5,185,319 | 5,185,319 | — | 306 |
| Impaired . . . . . . . . . . . . . . . . | — | — | — | — | 11,750 | 11,750 | — | — |
| | — | — | — | — | 5,464,870 | 5,464,870 | — | 306 |
| Single Family Construction: | | | | | | | | |
| Purchased non-impaired. . . . | — | 2,922 | — | 2,922 | — | 2,922 | — | — |
| Originated non-impaired . . . | — | — | — | — | 491,694 | 491,694 | — | — |
| | — | 2,922 | — | 2,922 | 491,694 | 494,616 | — | — |
| Multifamily/Commercial Construction: | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 1,167 | 1,167 | — | — |
| Originated non-impaired . . . | — | — | — | — | 918,374 | 918,374 | — | — |
| | — | — | — | — | 919,541 | 919,541 | — | — |
| Business: | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 289,101 | 289,101 | — | 1,293 |
| Originated non-impaired . . . | — | — | — | — | 6,568,801 | 6,568,801 | — | 1,515 |
| Impaired . . . . . . . . . . . . . . . . | — | — | — | — | 14,425 | 14,425 | — | 5,920 |
| | — | — | — | — | 6,872,327 | 6,872,327 | — | 8,728 |
| Stock Secured: | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 3,866 | 3,866 | — | — |
| Originated non-impaired . . . | — | — | — | — | 819,042 | 819,042 | — | — |
| | — | — | — | — | 822,908 | 822,908 | — | — |
| Other Secured: | | | | | | | | |
| Purchased non-impaired. . . . | — | — | — | — | 10,501 | 10,501 | — | — |
| Originated non-impaired . . . | — | — | — | — | 713,147 | 713,147 | — | — |
| | — | — | — | — | 723,648 | 723,648 | — | — |
| Unsecured: | | | | | | | | |
| Purchased non-impaired. . . . | 26 | — | — | 26 | 24,416 | 24,442 | — | 386 |
| Originated non-impaired . . . | 1 | — | — | 1 | 1,106,959 | 1,106,960 | — | 60 |
| Impaired . . . . . . . . . . . . . . . . | — | — | — | — | 553 | 553 | — | — |
| | 27 | — | — | 27 | 1,131,928 | 1,131,955 | — | 446 |
| Total . . . . . . . . . . . . . . | $ 460 | $ 4,396 | $ 18,827 | $ 23,683 | $ 51,984,634 | $ 52,008,317 | $ — | $ 49,020 |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Actual interest income recognized | $ — | $ — | $ — | $ — |
| Interest income under original terms | $ 518 | $ 668 | $ 998 | $ 1,280 |

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:

| ($ in thousands) | Pass | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| **At June 30, 2017** | | | | | |
| Single Family (1-4 units): | | | | | |
| Purchased non-impaired | $ 1,624,123 | $ 5,934 | $ 11,063 | $ — | $ 1,641,120 |
| Originated non-impaired | 27,389,179 | 1,432 | 13,045 | — | 27,403,656 |
| Impaired | 11,496 | 162 | 22,301 | — | 33,959 |
| | 29,024,798 | 7,528 | 46,409 | — | 29,078,735 |
| Home Equity Lines of Credit: | | | | | |
| Purchased non-impaired | 266,447 | 1,258 | 2,630 | — | 270,335 |
| Originated non-impaired | 2,397,690 | 263 | — | — | 2,397,953 |
| Impaired | 1,510 | 2,756 | 8,948 | — | 13,214 |
| | 2,665,647 | 4,277 | 11,578 | — | 2,681,502 |
| Multifamily (5+ units): | | | | | |
| Purchased non-impaired | 129,007 | — | 2,528 | — | 131,535 |
| Originated non-impaired | 7,288,019 | 17,988 | 1,435 | — | 7,307,442 |
| Impaired | 11,210 | — | 3,201 | — | 14,411 |
| | 7,428,236 | 17,988 | 7,164 | — | 7,453,388 |
| Commercial Real Estate: | | | | | |
| Purchased non-impaired | 220,191 | — | 9,483 | — | 229,674 |
| Originated non-impaired | 5,541,193 | 20,592 | 7,753 | — | 5,569,538 |
| Impaired | 10,486 | — | — | — | 10,486 |
| | 5,771,870 | 20,592 | 17,236 | — | 5,809,698 |
| Single Family Construction: | | | | | |
| Purchased non-impaired | — | — | 2,913 | — | 2,913 |
| Originated non-impaired | 519,571 | 994 | — | — | 520,565 |
| | 519,571 | 994 | 2,913 | — | 523,478 |
| Multifamily/Commercial Construction: | | | | | |
| Purchased non-impaired | — | — | 1,167 | — | 1,167 |
| Originated non-impaired | 986,545 | — | — | — | 986,545 |
| | 986,545 | — | 1,167 | — | 987,712 |
| Business: | | | | | |
| Purchased non-impaired | 212,328 | 781 | 4,957 | 691 | 218,757 |
| Originated non-impaired | 7,719,893 | 17,074 | 15,016 | 299 | 7,752,282 |
| Impaired | 4,966 | — | 5,604 | — | 10,570 |
| | 7,937,187 | 17,855 | 25,577 | 990 | 7,981,609 |
| Stock Secured: | | | | | |
| Purchased non-impaired | 3,828 | — | — | — | 3,828 |
| Originated non-impaired | 990,585 | — | — | — | 990,585 |
| | 994,413 | — | — | — | 994,413 |
| Other Secured: | | | | | |
| Purchased non-impaired | 9,385 | — | — | — | 9,385 |
| Originated non-impaired | 828,038 | — | — | — | 828,038 |
| | 837,423 | — | — | — | 837,423 |
| Unsecured: | | | | | |
| Purchased non-impaired | 24,240 | — | 159 | 343 | 24,742 |
| Originated non-impaired | 1,385,331 | — | 1,034 | 64 | 1,386,429 |
| Impaired | — | — | 946 | — | 946 |
| | 1,409,571 | — | 2,139 | 407 | 1,412,117 |
| Total | $ 57,575,261 | $ 69,234 | $ 114,183 | $ 1,397 | $ 57,760,075 |

| ($ in thousands) | Pass | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| **At December 31, 2016** | | | | | |
| Single Family (1-4 units): | | | | | |
| Purchased non-impaired | $ 1,767,392 | $ 3,880 | $ 12,125 | $ — | $ 1,783,397 |
| Originated non-impaired | 24,429,290 | 3,418 | 12,251 | — | 24,444,959 |
| Impaired | 12,749 | 162 | 25,599 | — | 38,510 |
| | 26,209,431 | 7,460 | 49,975 | — | 26,266,866 |
| Home Equity Lines of Credit: | | | | | |
| Purchased non-impaired | 304,023 | 1,840 | 2,694 | — | 308,557 |
| Originated non-impaired | 2,311,449 | 549 | — | — | 2,311,998 |
| Impaired | 1,776 | 2,765 | 9,848 | — | 14,389 |
| | 2,617,248 | 5,154 | 12,542 | — | 2,634,944 |
| Multifamily (5+ units): | | | | | |
| Purchased non-impaired | 150,743 | — | 162 | — | 150,905 |
| Originated non-impaired | 6,486,437 | 17,986 | 1,459 | — | 6,505,882 |
| Impaired | 15,339 | — | 4,516 | — | 19,855 |
| | 6,652,519 | 17,986 | 6,137 | — | 6,676,642 |
| Commercial Real Estate: | | | | | |
| Purchased non-impaired | 246,331 | 1,047 | 20,423 | — | 267,801 |
| Originated non-impaired | 5,153,753 | 22,070 | 9,496 | — | 5,185,319 |
| Impaired | 10,968 | — | 782 | — | 11,750 |
| | 5,411,052 | 23,117 | 30,701 | — | 5,464,870 |
| Single Family Construction: | | | | | |
| Purchased non-impaired | — | — | 2,922 | — | 2,922 |
| Originated non-impaired | 491,694 | — | — | — | 491,694 |
| | 491,694 | — | 2,922 | — | 494,616 |
| Multifamily/Commercial Construction: | | | | | |
| Purchased non-impaired | — | — | 1,167 | — | 1,167 |
| Originated non-impaired | 918,374 | — | — | — | 918,374 |
| | 918,374 | — | 1,167 | — | 919,541 |
| Business: | | | | | |
| Purchased non-impaired | 278,474 | 4,406 | 5,670 | 551 | 289,101 |
| Originated non-impaired | 6,546,374 | 18,753 | 3,365 | 309 | 6,568,801 |
| Impaired | 7,007 | 1,437 | 5,981 | — | 14,425 |
| | 6,831,855 | 24,596 | 15,016 | 860 | 6,872,327 |
| Stock Secured: | | | | | |
| Purchased non-impaired | 3,866 | — | — | — | 3,866 |
| Originated non-impaired | 818,455 | 587 | — | — | 819,042 |
| | 822,321 | 587 | — | — | 822,908 |
| Other Secured: | | | | | |
| Purchased non-impaired | 10,501 | — | — | — | 10,501 |
| Originated non-impaired | 713,147 | — | — | — | 713,147 |
| | 723,648 | — | — | — | 723,648 |
| Unsecured: | | | | | |
| Purchased non-impaired | 24,007 | — | 49 | 386 | 24,442 |
| Originated non-impaired | 1,105,027 | — | 1,873 | 60 | 1,106,960 |
| Impaired | 538 | — | 15 | — | 553 |
| | 1,129,572 | — | 1,937 | 446 | 1,131,955 |
| Total | $ 51,807,714 | $ 78,900 | $ 120,397 | $ 1,306 | $ 52,008,317 |

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

As of June 30, 2017, the Bank had $1.9 million of residential real estate owned (acquired through foreclosure), compared to none at December 31, 2016.

The carrying amount of residential mortgage loans in the process of foreclosure was $4.9 million and $5.0 million at June 30, 2017 and December 31, 2016, respectively.

*Allowance for Loan Losses*

The Bank's allowance for loan losses is evaluated based on its three classes of loans: (1) purchased non-impaired loans; (2) originated non-impaired loans; and (3) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under ASC 310-10-35, and purchased credit-impaired loans subject to ASC 310-30.

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.

Originated non-impaired loans 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 loan portfolio segments. 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. Any originated loans that subsequently became impaired are evaluated in accordance with ASC 310-10-35. If determined necessary, a specific reserve will be recorded for these loans.

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.

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, along with other external factors, such as competition and the legal and regulatory environment. As of June 30, 2017 and December 31, 2016, the qualitative reserve is 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. As of June 30, 2016, the qualitative reserve was not allocated to any specific loan portfolios.

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

| ($ in thousands) | Single Family (1-4 units) | Home Equity Lines of Credit | Multifamily (5+ units) | Commercial Real Estate | Single Family Construction | Multifamily/ Commercial Construction | Business | Stock Secured | Other Secured | Unsecured | Unallocated [(1)] | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At or for the Quarter Ended June 30, 2017** | | | | | | | | | | | | |
| **Rollforward of allowance for loan losses:** | | | | | | | | | | | | |
| Balance at beginning of period | $ 44,834 | $ 12,257 | $ 55,977 | $ 49,453 | $ 2,465 | $ 9,147 | $ 117,772 | $ 5,723 | $ 5,945 | $ 11,405 | $ — | $ 314,978 |
| Provision | 3,424 | 345 | 3,505 | 561 | 67 | 313 | 13,471 | 446 | 587 | 1,219 | — | 23,938 |
| Charge-offs | (613) | — | — | — | — | — | (8) | — | — | (134) | — | (755) |
| Recoveries | 6 | 21 | — | — | — | — | 26 | — | — | 93 | — | 146 |
| Balance at end of period | $ 47,651 | $ 12,623 | $ 59,482 | $ 50,014 | $ 2,532 | $ 9,460 | $ 131,261 | $ 6,169 | $ 6,532 | $ 12,583 | $ — | $ 338,307 |
| **At or for the Six Months Ended June 30, 2017** | | | | | | | | | | | | |
| **Rollforward of allowance for loan losses:** | | | | | | | | | | | | |
| Balance at beginning of period | $ 40,787 | $ 12,083 | $ 53,373 | $ 48,880 | $ 2,112 | $ 8,823 | $ 118,874 | $ 5,102 | $ 5,822 | $ 10,542 | $ — | $ 306,398 |
| Provision | 8,002 | 493 | 6,109 | 1,134 | 420 | 637 | 12,372 | 1,067 | 710 | 2,082 | — | 33,026 |
| Charge-offs | (1,145) | — | — | — | — | — | (15) | — | — | (134) | — | (1,294) |
| Recoveries | 7 | 47 | — | — | — | — | 30 | — | — | 93 | | 177 |
| Balance at end of period | $ 47,651 | $ 12,623 | $ 59,482 | $ 50,014 | $ 2,532 | $ 9,460 | $ 131,261 | $ 6,169 | $ 6,532 | $ 12,583 | $ — | $ 338,307 |
| **Allowance for loan losses by impairment methodology:** | | | | | | | | | | | | |
| Purchased non-impaired | $ 837 | $ 339 | $ 166 | $ 647 | $ 135 | $ 3 | $ 1,295 | $ — | $ — | $ 383 | | $ 3,805 |
| Originated non-impaired | 46,706 | 12,001 | 59,316 | 49,367 | 2,397 | 9,457 | 129,966 | 6,169 | 6,532 | 11,786 | | 333,697 |
| Impaired | 108 | 283 | — | — | — | — | — | — | — | 414 | — | 805 |
| Total | $ 47,651 | $ 12,623 | $ 59,482 | $ 50,014 | $ 2,532 | $ 9,460 | $ 131,261 | $ 6,169 | $ 6,532 | $ 12,583 | $ — | $ 338,307 |
| **Recorded investment in loans:** | | | | | | | | | | | | |
| Purchased non-impaired | $ 1,641,120 | $ 270,335 | $ 131,535 | $ 229,674 | $ 2,913 | $ 1,167 | $ 218,757 | $ 3,828 | $ 9,385 | $ 24,742 | | $ 2,533,456 |
| Originated non-impaired | 27,403,656 | 2,397,953 | 7,307,442 | 5,569,538 | 520,565 | 986,545 | 7,752,282 | 990,585 | 828,038 | 1,386,429 | | 55,143,033 |
| Impaired | 33,959 | 13,214 | 14,411 | 10,486 | — | — | 10,570 | — | — | 946 | | 83,586 |
| Total | $ 29,078,735 | $ 2,681,502 | $ 7,453,388 | $ 5,809,698 | $ 523,478 | $ 987,712 | $ 7,981,609 | $ 994,413 | $ 837,423 | $ 1,412,117 | | $ 57,760,075 |

(1) As of June 30, 2017 and December 31, 2016, the qualitative reserve is allocated to the individual loan portfolios.

| ($ 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 [1] | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At or for the Quarter Ended June 30, 2016** | | | | | | | | | | | | |
| **Rollforward of allowance for loan losses:** | | | | | | | | | | | | |
| Balance at beginning of period | $ 29,018 | $ 5,839 | $ 26,221 | $ 27,654 | $ 633 | $ 4,586 | $ 86,782 | $ 2,298 | $ 7,158 | $ 9,775 | $ 65,615 | $ 265,579 |
| Provision (reversal of provision) | 1,122 | 491 | 1,798 | 740 | 36 | (151) | 2,144 | 419 | 430 | 3,275 | 3,896 | 14,200 |
| Charge-offs | (1,024) | (44) | — | — | — | — | (25) | — | — | (8) | — | (1,101) |
| Recoveries | 3 | 26 | — | — | — | — | 6 | — | — | 18 | — | 53 |
| Balance at end of period | $ 29,119 | $ 6,312 | $ 28,019 | $ 28,394 | $ 669 | $ 4,435 | $ 88,907 | $ 2,717 | $ 7,588 | $ 13,060 | $ 69,511 | $ 278,731 |
| **At or for the Six Months Ended June 30, 2016** | | | | | | | | | | | | |
| **Rollforward of allowance for loan losses:** | | | | | | | | | | | | |
| Balance at beginning of period | $ 27,614 | $ 5,530 | $ 25,416 | $ 24,690 | $ 644 | $ 4,218 | $ 92,568 | $ 1,809 | $ 6,610 | $ 6,918 | $ 65,041 | $ 261,058 |
| Provision (reversal of provision) | 2,522 | 774 | 2,603 | 3,704 | 25 | 217 | (3,650) | 908 | 978 | 6,141 | 4,470 | 18,692 |
| Charge-offs | (1,024) | (44) | — | — | — | — | (25) | — | — | (19) | — | (1,112) |
| Recoveries | 7 | 52 | — | — | — | — | 14 | — | — | 20 | — | 93 |
| Balance at end of period | $ 29,119 | $ 6,312 | $ 28,019 | $ 28,394 | $ 669 | $ 4,435 | $ 88,907 | $ 2,717 | $ 7,588 | $ 13,060 | $ 69,511 | $ 278,731 |
| **Allowance for loan losses by impairment methodology:** | | | | | | | | | | | | |
| Purchased non-impaired | $ 902 | $ 297 | $ 289 | $ 1,153 | $ 133 | $ 2 | $ 2,406 | $ — | $ — | $ 416 | $ — | $ 5,598 |
| Originated non-impaired | 28,217 | 5,700 | 27,599 | 27,241 | 536 | 4,433 | 86,316 | 2,717 | 7,588 | 12,644 | 69,511 | 272,502 |
| Impaired | — | 315 | 131 | — | — | — | 185 | — | — | — | — | 631 |
| Total | $ 29,119 | $ 6,312 | $ 28,019 | $ 28,394 | $ 669 | $ 4,435 | $ 88,907 | $ 2,717 | $ 7,588 | $ 13,060 | $ 69,511 | $ 278,731 |
| **Recorded investment in loans:** | | | | | | | | | | | | |
| Purchased non-impaired | $ 2,053,390 | $ 367,197 | $ 223,425 | $ 313,081 | $ 2,921 | $ 1,167 | $ 311,359 | $ 4,269 | $ 12,392 | $ 26,554 | | $ 3,315,755 |
| Originated non-impaired | 22,033,699 | 2,218,665 | 5,771,587 | 4,679,838 | 445,412 | 785,183 | 6,047,348 | 777,511 | 607,382 | 806,921 | | 44,173,546 |
| Impaired | 38,618 | 12,996 | 24,677 | 18,013 | — | — | 23,447 | — | — | 554 | | 118,305 |
| Total | $24,125,707 | $ 2,598,858 | $ 6,019,689 | $ 5,010,932 | $ 448,333 | $ 786,350 | $ 6,382,154 | $ 781,780 | $ 619,774 | $ 834,029 | | $ 47,607,606 |

[1] As of June 30, 2016, the qualitative reserve was not allocated to any individual loan portfolios.

*Reserve for Unfunded Commitments*

The Bank evaluates reserves for unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, business lines of credit and secured/unsecured lines of credit. In determining the level of reserves, the Bank determines the probability of funding for each portfolio segment based on historical utilization statistics specific to that portfolio segment. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $12.2 million and $12.5 million at June 30, 2017 and December 31, 2016, respectively.

*Impaired Loans*

The following tables present information related to impaired loans:

| | Total | | With no related allowance recorded | | With an allowance recorded | | |
|---|---|---|---|---|---|---|---|
| ($ in thousands) | Recorded Investment | Unpaid Principal Balance | Recorded Investment | Unpaid Principal Balance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| **At June 30, 2017** | | | | | | | |
| Single family (1-4 units) | $ 33,959 | $ 34,549 | $ 32,793 | $ 33,386 | $ 1,166 | $ 1,163 | $ 108 |
| Home equity lines of credit | 13,214 | 13,356 | 8,793 | 8,916 | 4,421 | 4,440 | 283 |
| Multifamily (5+ units) | 14,411 | 14,625 | 14,411 | 14,625 | — | — | — |
| Commercial real estate | 10,486 | 10,794 | 10,486 | 10,794 | — | — | — |
| Business | 10,570 | 11,683 | 10,570 | 11,683 | — | — | — |
| Unsecured | 946 | 1,092 | 9 | 155 | 937 | 937 | 414 |
| Total | $ 83,586 | $ 86,099 | $ 77,062 | $ 79,559 | $ 6,524 | $ 6,540 | $ 805 |
| **At December 31, 2016** | | | | | | | |
| Single family (1-4 units) | $ 38,510 | $ 39,541 | $ 34,102 | $ 34,984 | $ 4,408 | $ 4,557 | $ 9 |
| Home equity lines of credit | 14,389 | 14,575 | 9,488 | 9,654 | 4,901 | 4,921 | 279 |
| Multifamily (5+ units) | 19,855 | 20,445 | 19,855 | 20,445 | — | — | — |
| Commercial real estate | 11,750 | 12,357 | 11,750 | 12,357 | — | — | — |
| Business | 14,425 | 15,803 | 12,989 | 14,304 | 1,436 | 1,499 | 88 |
| Unsecured | 553 | 711 | 553 | 711 | — | — | — |
| Total | $ 99,482 | $ 103,432 | $ 88,737 | $ 92,455 | $ 10,745 | $ 10,977 | $ 376 |

| | Quarter Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| ($ in thousands) | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Single family (1-4 units) | $ 38,596 | $ 294 | $ 40,295 | $ 201 | $ 38,884 | $ 466 | $ 39,242 | $ 415 |
| Home equity lines of credit | 13,461 | 100 | 13,792 | 67 | 13,651 | 164 | 13,699 | 113 |
| Multifamily (5+ units) | 14,989 | 232 | 26,283 | 288 | 16,297 | 658 | 25,622 | 681 |
| Commercial real estate | 11,067 | 341 | 18,891 | 582 | 11,360 | 598 | 20,019 | 891 |
| Multifamily/commercial construction | — | — | — | — | — | — | 3,086 | — |
| Business | 11,919 | 220 | 24,532 | 231 | 13,153 | 420 | 25,889 | 587 |
| Unsecured | 1,245 | 17 | 554 | 13 | 948 | 29 | 553 | 31 |
| Total | $ 91,277 | $ 1,204 | $ 124,347 | $ 1,382 | $ 94,293 | $ 2,335 | $ 128,110 | $ 2,718 |

*Purchased Credit-Impaired Loans*

At June 30, 2017 and December 31, 2016, purchased credit-impaired loans subject to ASC 310-30 had an unpaid principal balance of $38.5 million and $50.7 million, respectively, and a carrying value of $36.3 million and $47.3 million, respectively.

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Accretable yield: | | | | |
| Balance at beginning of period | $ 3,928 | $ 6,223 | $ 4,427 | $ 5,890 |
| Accretion | (1,069) | (1,256) | (2,092) | (2,364) |
| Reclassification from nonaccretable difference for loans with improving cash flows | 161 | 779 | 161 | 808 |
| Increase in expected cash flows | 520 | (13) | 1,091 | 1,399 |
| Resolutions/payments in full | (476) | (471) | (523) | (471) |
| Balance at end of period | $ 3,064 | $ 5,262 | $ 3,064 | $ 5,262 |

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Allowance: | | | | |
| Balance at beginning of period | $ 17 | $ 21 | $ 88 | $ 20 |
| Provision | — | — | — | 1 |
| Reversal of provision | (18) | (21) | (90) | (21) |
| Recoveries | 1 | — | 2 | — |
| Balance at end of period | $ — | $ — | $ — | $ — |

*Troubled Debt Restructurings*

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

| | At June 30, 2017 | | | At December 31, 2016 | | |
|---|---|---|---|---|---|---|
| ($ in thousands) | Restructured - Nonaccrual | Restructured - Accruing | Total | Restructured - Nonaccrual | Restructured - Accruing | Total |
| **At June 30, 2017** | | | | | | |
| Single Family (1-4 units): | | | | | | |
| Impaired | $ 3,734 | $ 7,649 | $11,383 | $ 5,330 | $ 8,857 | $14,187 |
| Home Equity Lines of Credit: | | | | | | |
| Purchased non-impaired | — | 267 | 267 | — | 267 | 267 |
| Impaired | 5,326 | 4,501 | 9,827 | 2,977 | 4,577 | 7,554 |
| | 5,326 | 4,768 | 10,094 | 2,977 | 4,844 | 7,821 |
| Multifamily (5+ units): | | | | | | |
| Purchased non-impaired | — | 288 | 288 | — | 294 | 294 |
| Commercial Real Estate: | | | | | | |
| Purchased non-impaired | — | 221 | 221 | — | 222 | 222 |
| Business: | | | | | | |
| Impaired | 5,529 | 75 | 5,604 | 5,904 | 61 | 5,965 |
| Unsecured Loans and Lines of Credit: | | | | | | |
| Impaired | 828 | — | 828 | — | — | — |
| Total | $ 15,417 | $ 13,001 | $28,418 | $ 14,211 | $ 14,278 | $28,489 |

During the six months ended June 30, 2017, troubled debt restructurings were primarily modified through reductions in interest rate. During the six months ended June 30, 2016, troubled debt restructurings were primarily modified through payment deferrals and reductions in interest rate, both temporary and permanent. There were no loans modified that were considered troubled debt restructurings during the quarter ended June 30, 2017. The following table presents the recorded investment in loans modified in troubled debt restructurings during the periods indicated:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2017 | 2016 | 2017 | 2016 |
| Home Equity Lines of Credit: | | | | |
| Impaired | $ — | $ — | $ 4,388 | $ — |
| Business: | | | | |
| Impaired | — | 4,799 | — | 4,799 |
| Unsecured Loans and Lines of Credit: | | | | |
| Originated non-impaired | — | — | 843 | — |
| Total | $ — | $ 4,799 | $ 5,231 | $ 4,799 |

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 quarters ended June 30, 2017 or 2016 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Total loans originated | $ 7,298,384 | $ 6,509,026 | $ 12,939,521 | $ 11,310,673 |
| Single family loans originated | $ 3,053,014 | $ 2,933,128 | $ 5,569,688 | $ 4,745,945 |
| Loans sold: | | | | |
| Flow sales: | | | | |
| Agency | $ 34,261 | $ 55,729 | $ 83,993 | $ 115,957 |
| Non-agency | 72,829 | 46,114 | 129,031 | 97,689 |
| Total flow sales | 107,090 | 101,843 | 213,024 | 213,646 |
| Bulk sales: | | | | |
| Non-agency | 332,735 | 818,920 | 872,556 | 1,184,819 |
| Total loans sold | $ 439,825 | $ 920,763 | $ 1,085,580 | $ 1,398,465 |
| Gain on sale of loans: | | | | |
| Amount | $ 841 | $ 822 | $ 4,205 | $ 2,225 |
| Gain as a percentage of loans sold | 0.19% | 0.09% | 0.39% | 0.16% |

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Loans serviced for others: | | | | |
| Beginning balance | $ 11,838,059 | $ 10,653,859 | $ 11,655,453 | $ 10,531,418 |
| Loans sold | 439,825 | 920,763 | 1,085,580 | 1,398,465 |
| Repayments | (485,846) | (513,996) | (948,995) | (865,334) |
| Loans purchased | (617) | — | (617) | (3,923) |
| Ending balance | $ 11,791,421 | $ 11,060,626 | $ 11,791,421 | $ 11,060,626 |
| MSRs: | | | | |
| Beginning balance | $ 61,988 | $ 54,225 | $ 62,410 | $ 53,538 |
| Additions due to new loans sold | 3,288 | 6,110 | 7,500 | 9,642 |
| Amortization expense | (3,887) | (3,132) | (8,521) | (5,962) |
| Reductions due to purchases | (6) | — | (6) | (15) |
| Ending balance | $ 61,383 | $ 57,203 | $ 61,383 | $ 57,203 |
| Estimated fair value of MSRs | $ 85,187 | $ 81,643 | $ 85,187 | $ 81,643 |
| MSRs as a percent of loans serviced | 0.52% | 0.52% | 0.52% | 0.52% |
| 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 | 2.05x | 2.05x | 2.06x | 2.05x |

There was no valuation allowance related to MSRs as of or during the quarters and six months ended June 30, 2017 and 2016.

The following table presents loan servicing fees:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Contractually specified servicing fees | $ 7,464 | $ 6,644 | $ 14,869 | $ 13,223 |
| Late charges and ancillary fees, net of costs | $ 372 | $ 1,090 | $ 638 | $ 1,852 |

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

| **($ in thousands)** | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Fair value of MSRs | $ 85,187 | $ 85,453 |
| Weighted average prepayment speed (CPR) | 13.6% | 12.3% |
| Impact on fair value of 10% adverse change | $ (4,240) | $ (4,030) |
| Impact on fair value of 20% adverse change | $ (8,073) | $ (7,658) |
| Weighted average discount rate | 13.1% | 12.9% |
| Impact on fair value of 10% adverse change | $ (3,133) | $ (3,049) |
| Impact on fair value of 20% adverse change | $ (6,048) | $ (5,889) |

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

**Note 5. Variable Interest Entities**

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

The Bank has variable interests in several VIEs related to First Republic REMICs that were formed in 2000 through 2002. The Bank has purchased various tranches of these securitizations. As of June 30, 2017 and December 31, 2016, the Bank consolidated four of the REMICs for which it is the primary beneficiary and also held variable interests of less significance in one other REMIC sponsored by the Bank, which is not consolidated. The debt holders of the REMICs have no recourse to the Bank.

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

In addition, as of June 30, 2017 and December 31, 2016, the Bank has variable interests in other investments, which are accounted for under the cost method and equity method. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these investments.

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

| | VIEs | | |
|---|---|---|---|
| **($ in thousands)** | **Not consolidated** | **Consolidated** | **Total** |
| **June 30, 2017** | | | |
| **Assets:** | | | |
| Investment securities held-to-maturity | $ 1,750 | $ — | $ 1,750 |
| Loans | — | 43,662 | 43,662 |
| Tax credit investments | 1,113,378 | — | 1,113,378 |
| Other investments | 19,498 | — | 19,498 |
| Total Assets | 1,134,626 | 43,662 | 1,178,288 |
| **Liabilities:** | | | |
| Debt | — | 22,519 | 22,519 |
| Unfunded commitments—tax credit investments | 508,370 | — | 508,370 |
| Unfunded commitments—other investments | 4,014 | — | 4,014 |
| Total Liabilities | 512,384 | 22,519 | 534,903 |
| Net Assets | $ 622,242 | $ 21,143 | $ 643,385 |
| **December 31, 2016** | | | |
| **Assets:** | | | |
| Investment securities held-to-maturity | $ 1,875 | $ — | $ 1,875 |
| Loans | — | 48,215 | 48,215 |
| Tax credit investments | 1,121,416 | — | 1,121,416 |
| Other investments | 6,932 | — | 6,932 |
| Total Assets | 1,130,223 | 48,215 | 1,178,438 |
| **Liabilities:** | | | |
| Debt | — | 25,973 | 25,973 |
| Unfunded commitments—tax credit investments | 534,349 | — | 534,349 |
| Unfunded commitments—other investments | 3,318 | — | 3,318 |
| Total Liabilities | 537,667 | 25,973 | 563,640 |
| Net Assets | $ 592,556 | $ 22,242 | $ 614,798 |

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 both June 30, 2017 and December 31, 2016.

**Note 6. Goodwill and Intangible Assets**

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

| | June 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| **($ in thousands)** | **Gross Carrying Value** | **Accumulated Amortization** | **Carrying Value** | **Gross Carrying Value** | **Accumulated Amortization** | **Carrying Value** |
| Intangible assets: | | | | | | |
| Customer relationship intangibles | $ 133,100 | $ (82,492) | $ 50,608 | $ 133,100 | $ (74,490) | $ 58,610 |
| Core deposit intangibles | 87,550 | (79,519) | 8,031 | 87,550 | (76,661) | 10,889 |
| Trade name | 42,900 | — | 42,900 | 42,900 | — | 42,900 |
| Intangible assets (excluding MSRs) | $ 263,550 | $ (162,011) | $ 101,539 | $ 263,550 | $ (151,151) | $ 112,399 |
| MSRs, before valuation allowance [(1)] | $ 124,921 | $ (63,538) | $ 61,383 | $ 117,478 | $ (55,068) | $ 62,410 |
| Goodwill | $ 203,177 | | | $ 203,177 | | |

[(1)] Amortization of MSRs is included in loan servicing fees, net on the consolidated statements of income and comprehensive income.

Refer to Note 4, "Mortgage Banking Activities," for further discussion on MSRs.

The following table presents goodwill by business segment:

| **($ in thousands)** | **Commercial Banking** | **Wealth Management** | **Total** |
|---|---|---|---|
| Balance as of December 31, 2015 | $ 24,604 | $ 147,012 | $ 171,616 |
| Addition due to Gradifi acquisition | 31,561 | — | 31,561 |
| Balance as of December 31, 2016 and June 30, 2017 | $ 56,165 | $ 147,012 | $ 203,177 |

The following table presents the estimated future amortization for amortizable intangible assets as of June 30, 2017. The projections of amortization expense are based on existing asset balances as of June 30, 2017. Future amortization expense may vary from these projections.

| **($ in thousands)** | **Customer relationship intangibles** | **Core deposit intangibles** | **MSRs** |
|---|---|---|---|
| July 1 - December 31, 2017 | $ 7,341 | $ 2,424 | $ 7,520 |
| 2018 | 12,703 | 3,545 | 12,389 |
| 2019 | 10,063 | 1,809 | 9,539 |
| 2020 | 7,504 | 253 | 7,345 |
| 2021 | 5,527 | — | 5,656 |
| 2022 | 3,671 | — | 4,355 |

**Note 7. Borrowings**

The Bank uses 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 June 30, | | Six Months Ended June 30, | |
| ($ in thousands) | June 30, 2017 | December 31, 2016 | 2017 | 2016 | 2017 | 2016 |
| **Short-term borrowings:** | | | | | | |
| Federal funds purchased | $ — | $ — | $ 1 | $ 11 | $ 1 | $ 11 |
| FHLB advances | 150,000 | — | 3,392 | 1,549 | 3,428 | 1,555 |
| Securities sold under agreements to repurchase | — | 100,000 | 305 | 389 | 788 | 763 |
| Total | 150,000 | 100,000 | 3,698 | 1,949 | 4,217 | 2,329 |
| **Long-term debt:** | | | | | | |
| FHLB advances | 7,550,000 | 5,900,000 | 24,439 | 16,746 | 45,054 | 32,390 |
| Senior notes [1] | 893,865 | 397,955 | 3,469 | 2,573 | 6,046 | 5,145 |
| Subordinated notes [1] | 776,895 | 387,380 | 9,093 | — | 16,008 | — |
| Total | 9,220,760 | 6,685,335 | 37,001 | 19,319 | 67,108 | 37,535 |
| **Other long-term debt:** | | | | | | |
| Debt related to VIEs | 22,519 | 25,973 | 137 | 136 | 270 | 270 |
| Total borrowings | $ 9,393,279 | $ 6,811,308 | $ 40,836 | $ 21,404 | $ 71,595 | $ 40,134 |

(1) Carrying value represents the principal balance, net of unamortized issuance discounts and deferred issuance costs. Interest expense includes amortization of issuance discounts and deferred issuance costs, which are amortized over the contractual life using a level yield methodology.

*FHLB Advances*

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At June 30, 2017, the Bank had short-term FHLB advances of $150.0 million, which were repaid in July 2017. At June 30, 2017, all of the long-term FHLB advances were fixed-rate for a specific term. At June 30, 2017, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

| ($ in thousands) | June 30, 2017 | |
|---|---|---|
| FHLB advances maturing in: | Amount | Rate |
| July 1 - December 31, 2017 | $ 650,000 | 1.83% |
| 2018 | 2,725,000 | 1.45% |
| 2019 | 3,075,000 | 1.51% |
| 2020 | 900,000 | 1.71% |
| 2021 | 200,000 | 1.50% |
| Total | $ 7,550,000 | 1.54% |

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $273.4 million and $160.7 million at June 30, 2017 and December 31, 2016, respectively. At June 30, 2017 and December 31, 2016, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

*Senior Notes and Subordinated Notes*

The following table presents the carrying values, coupon rates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes and subordinated notes as of June 30, 2017:

| | June 30, 2017 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Carrying Value [1]** | | **Rate** | **Maturity Date** |
| **Senior notes:** | | | | |
| Fixed rate, issued June 2014 | $ | 398,002 | 2.375% | June 2019 |
| Fixed rate, issued June 2017 | $ | 495,863 | 2.500% | June 2022 |
| **Subordinated notes:** | | | | |
| Fixed rate, issued August 2016 | $ | 387,484 | 4.375% | August 2046 |
| Fixed rate, issued February 2017 | $ | 389,411 | 4.625% | February 2047 |

[1] Principal balance, net of unamortized issuance discounts and deferred issuance costs.

## Note 8. Derivative Financial Instruments

In accordance with ASC 815, "Derivatives and Hedging," the Bank recognizes all derivatives on the balance sheet at fair value. The Bank 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:

| | June 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | | Fair value | | | Fair value | |
| **($ in thousands)** | **Notional or Contractual Amount** | **Derivative Assets [1]** | **Derivative Liabilities [2]** | **Notional or Contractual Amount** | **Derivative Assets [1]** | **Derivative Liabilities [2]** |
| Foreign exchange contracts | $ 1,758,150 | $ 17,821 | $ 15,470 | $ 1,425,576 | $ 20,048 | $ 18,588 |
| Interest rate contracts with borrowers | $ 70,131 | 16 | 162 | $ 80,670 | 1 | 628 |
| Forward loan sale commitments | $ 271,722 | 169 | 23 | $ 489,818 | 628 | 1 |
| Total | | $ 18,006 | $ 15,655 | | $ 20,677 | $ 19,217 |

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

[2] Included in other liabilities on the consolidated balance sheets.

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

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

| | Total | Contracts Not Subject to Master Netting Arrangements | Contracts Subject to Master Netting Arrangements | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Gross Amounts Not Offset on the Balance Sheet | | |
| ($ in thousands) | Gross Amounts Recognized | Gross Amounts Recognized | Gross Amounts Recognized | Gross Amounts Offset on the Balance Sheet | Net Amounts Presented on the Balance Sheet | Derivative Amount | Cash Collateral [(1)] | Net Amount |
| **June 30, 2017** | | | | | | | | |
| **Derivative assets:** | | | | | | | | |
| Foreign exchange contracts . . . . . . . . . | $ 17,821 | $ 6,795 | $ 11,026 | $ — | $ 11,026 | $ 7,017 | $ 4,009 | $ — |
| **Derivative liabilities:** | | | | | | | | |
| Foreign exchange contracts . . . . . . . . . | $ 15,470 | $ 8,453 | $ 7,017 | $ — | $ 7,017 | $ 7,017 | $ — | $ — |
| **December 31, 2016** | | | | | | | | |
| **Derivative assets:** | | | | | | | | |
| Foreign exchange contracts . . . . . . . . . | $ 20,048 | $ 7,953 | $ 12,095 | $ — | $ 12,095 | $ 8,400 | $ 3,695 | $ — |
| **Derivative liabilities:** | | | | | | | | |
| Foreign exchange contracts . . . . . . . . . | $ 18,588 | $ 10,188 | $ 8,400 | $ — | $ 8,400 | $ 8,400 | $ — | $ — |

(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. Under ASC 820, "Fair Value Measurement," 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. 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 estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses.

**Fair Value Hierarchy**

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

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

It is the Bank's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820.

*Recurring Fair Value Measurements*

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

*Available-for-sale 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 to ensure that such valuation techniques are based on observable market inputs appropriate for the type of security being measured. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

*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 following table presents the balances of assets and liabilities measured at fair value on a recurring basis:

| ($ in thousands) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2017** | | | | |
| **Assets:** | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | $ 110,444 | $ — | $ — | $ 110,444 |
| Agency residential MBS | — | 40,946 | — | 40,946 |
| Other residential MBS | — | 6,595 | — | 6,595 |
| Agency commercial MBS | — | 2,028,110 | — | 2,028,110 |
| Securities of U.S. states and political subdivisions—taxable | — | — | 47,450 | 47,450 |
| Marketable equity securities | 2,378 | — | — | 2,378 |
| Derivative assets | — | 18,006 | — | 18,006 |
| Total | $ 112,822 | $ 2,093,657 | $ 47,450 | $ 2,253,929 |
| **Liabilities:** | | | | |
| Derivative liabilities | $ — | $ 15,655 | $ — | $ 15,655 |
| **December 31, 2016** | | | | |
| **Assets:** | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | $ 111,029 | $ — | $ — | $ 111,029 |
| Agency residential MBS | — | 48,229 | — | 48,229 |
| Other residential MBS | — | 7,662 | — | 7,662 |
| Agency commercial MBS | — | 1,790,897 | — | 1,790,897 |
| Securities of U.S. states and political subdivisions—taxable | — | — | 47,493 | 47,493 |
| Marketable equity securities | 1,948 | — | — | 1,948 |
| Derivative assets | — | 20,677 | — | 20,677 |
| Total | $ 112,977 | $ 1,867,465 | $ 47,493 | $ 2,027,935 |
| **Liabilities:** | | | | |
| Derivative liabilities | $ — | $ 19,217 | $ — | $ 19,217 |

There were no transfers in or out of Levels 1, 2 or 3 assets measured at fair value on a recurring basis in the quarters and six months ended June 30, 2017 and 2016.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2017 | 2016 | 2017 | 2016 |
| Available-for-sale securities of U.S. states and political subdivisions—taxable: | | | | |
| Balance at beginning of period | $ 47,450 | $ 47,436 | $ 47,493 | $ 47,436 |
| Unrealized gains (losses) included in other comprehensive income | (2) | 21 | (49) | 19 |
| Accretion included in interest income | 2 | 2 | 6 | 4 |
| Balance at end of period | $ 47,450 | $ 47,459 | $ 47,450 | $ 47,459 |

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

| ($ in thousands) | Fair Value | Valuation Technique | Unobservable Input |
|---|---|---|---|
| **June 30, 2017** | | | |
| Available-for-sale securities of U.S. states and political subdivisions—taxable | $ 47,450 | Discounted cash flow | Weighted average liquidity risk yield premium of 50 bps |
| **December 31, 2016** | | | |
| Available-for-sale securities of U.S. states and political subdivisions—taxable | $ 47,493 | Discounted cash flow | Weighted average liquidity risk yield premium of 50 bps |

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

*Nonrecurring Fair Value Measurements*

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

*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 following table presents the assets measured at fair value on a nonrecurring basis that were held on the balance sheet at June 30, 2017 and December 31, 2016:

| ($ in thousands) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **June 30, 2017** | | | | |
| **Assets:** | | | | |
| Real estate secured mortgages | $ — | $ — | $ 7,120 | $ 7,120 |
| **December 31, 2016** | | | | |
| **Assets:** | | | | |
| Real estate secured mortgages | $ — | $ — | $ 9,116 | $ 9,116 |

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 June 30, 2017 | Quarter Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Real estate secured mortgages | $ (75) | $ (68) | $ (361) | $ (68) |
| Other real estate owned | — | (197) | — | (197) |
| Total | $ (75) | $ (265) | $ (361) | $ (265) |

*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 to ensure that such valuation techniques are based on observable market inputs appropriate for the type of security being measured. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

*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 determined by the Bank 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, subordinated notes and debt related to VIEs:* The fair value is based on the most recent quoted market price for each issue.

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

| | June 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | | | |
| ($ in thousands) | | Total | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | | |
| Cash and cash equivalents | $ 2,295,125 | $ 2,295,125 | $ 2,295,125 | $ — | $ — |
| Investment securities held-to-maturity: | | | | | |
| U.S. Government-sponsored agency securities | 1,200,815 | 1,169,072 | — | 1,169,072 | — |
| Agency residential MBS | 2,800,768 | 2,760,007 | — | 2,760,007 | — |
| Other residential MBS | 1,750 | 1,768 | — | 1,768 | — |
| Agency commercial MBS | 2,601,492 | 2,562,980 | — | 2,562,980 | — |
| Securities of U.S. states and political subdivisions: | | | | | |
| Tax-exempt municipal securities | 7,835,442 | 8,141,303 | — | 8,023,900 | 117,403 |
| Tax-exempt nonprofit debentures | 149,105 | 153,993 | — | — | 153,993 |
| Taxable municipal securities | 53,030 | 63,551 | — | 63,551 | — |
| Loans, net: | | | | | |
| Real estate secured mortgages | 46,352,751 | 45,160,282 | — | 28,533,481 | 16,626,801 |
| Other loans | 11,069,017 | 10,301,635 | — | — | 10,301,635 |
| Loans held for sale | 202,348 | 203,432 | — | 203,432 | — |
| Investments in life insurance | 1,292,238 | 1,292,238 | — | — | 1,292,238 |
| MSRs | 61,383 | 85,187 | — | — | 85,187 |
| FHLB stock | 273,375 | 273,375 | — | — | 273,375 |
| **Liabilities:** | | | | | |
| Deposits: | | | | | |
| Deposits with no maturity | $ 57,263,691 | $ 57,263,691 | $ — | $ 57,263,691 | $ — |
| Certificates of deposit | 6,030,015 | 6,054,520 | — | — | 6,054,520 |
| Short-term FHLB advances | 150,000 | 150,000 | — | 150,000 | — |
| Long-term FHLB advances | 7,550,000 | 7,555,293 | — | 7,555,293 | — |
| Senior notes | 893,865 | 899,730 | — | 899,730 | — |
| Subordinated notes | 776,895 | 792,964 | — | 792,964 | — |
| Debt related to VIEs | 22,519 | 20,644 | — | 20,644 | — |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | | | |
| ($ in thousands) | | Total | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | | |
| Cash and cash equivalents | $ 2,107,722 | $ 2,107,722 | $ 2,107,722 | $ — | $ — |
| Securities purchased under agreements to resell | 100 | 100 | 100 | — | — |
| Investment securities held-to-maturity: | | | | | |
| U.S. Government-sponsored agency securities | 993,179 | 945,768 | — | 945,768 | — |
| Agency residential MBS | 2,689,035 | 2,626,902 | — | 2,626,902 | — |
| Other residential MBS | 1,875 | 1,868 | — | 1,868 | — |
| Agency commercial MBS | 2,385,928 | 2,369,983 | — | 2,369,983 | — |
| Securities of U.S. states and political subdivisions: | | | | | |
| Tax-exempt municipal securities | 6,876,777 | 6,992,159 | — | 6,873,058 | 119,101 |
| Tax-exempt nonprofit debentures | 150,322 | 154,162 | — | — | 154,162 |
| Taxable municipal securities | 53,041 | 63,019 | — | 63,019 | — |
| Loans, net: | | | | | |
| Real estate secured mortgages | 42,291,421 | 41,238,014 | — | 25,816,980 | 15,421,034 |
| Other loans | 9,410,498 | 8,728,595 | — | — | 8,728,595 |
| Loans held for sale | 407,226 | 412,495 | — | 412,495 | — |
| Investments in life insurance | 1,273,172 | 1,273,172 | — | — | 1,273,172 |
| MSRs | 62,410 | 85,453 | — | — | 85,453 |
| FHLB stock | 160,650 | 160,650 | — | — | 160,650 |
| **Liabilities:** | | | | | |
| Deposits: | | | | | |
| Deposits with no maturity | $ 53,489,320 | $ 53,489,320 | $ — | $ 53,489,320 | $ — |
| Certificates of deposit | 5,113,061 | 5,143,459 | — | — | 5,143,459 |
| Securities sold under agreements to repurchase | 100,000 | 100,015 | — | 100,015 | — |
| Long-term FHLB advances | 5,900,000 | 5,903,075 | — | 5,903,075 | — |
| Senior notes | 397,955 | 398,436 | — | 398,436 | — |
| Subordinated notes | 387,380 | 359,569 | — | 359,569 | — |
| Debt related to VIEs | 25,973 | 22,746 | — | 22,746 | — |

**Note 10. Preferred Stock**

At June 30, 2017, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 990,000 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the authorized, issued and outstanding shares for each series of the Bank's preferred stock:

| (in thousands, except share amounts) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| 6.70% Noncumulative Perpetual Series A Preferred Stock—No shares authorized, issued or outstanding at June 30, 2017; 199,525 shares authorized, issued and outstanding at December 31, 2016 | $ — | $ 199,525 |
| 6.20% Noncumulative Perpetual Series B Preferred Stock—No shares authorized, issued or outstanding at June 30, 2017; 150,000 shares authorized, issued and outstanding at December 31, 2016 | — | 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 issued and outstanding | 150,000 | 150,000 |
| 5.125% Noncumulative Perpetual Series H Preferred Stock—200,000 shares authorized, issued and outstanding at June 30, 2017 and no shares authorized, issued or outstanding at December 31, 2016 | 200,000 | — |
| Total | $ 990,000 | $ 1,139,525 |

The Bank's preferred stock activity for 2017 was as follows:

On January 30, 2017 (the "Series A Redemption Date"), the Bank redeemed all of its outstanding shares of the Bank's 6.70% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock"). All 7,981,000 depositary shares, representing a 1/40th interest in the Series A Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $199.5 million plus all accrued and unpaid dividends as of the Series A Redemption Date. As of June 30, 2017, there are no outstanding shares of Series A Preferred Stock. No further dividends are declared on the Series A Preferred Stock after the Series A Redemption Date.

On June 7, 2017, the 5.125% Noncumulative Perpetual Series H Preferred Stock ("Series H Preferred Stock") was issued. Net proceeds, after underwriting discounts and expenses, were $193.7 million. The public offering consisted of 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Series H Preferred Stock, at a public offering price of $25.00 per depositary share. The Series H Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 30, 2022.

On June 16, 2017 (the "Series B Redemption Date"), the Bank redeemed all of its outstanding shares of the Bank's 6.20% Noncumulative Perpetual Series B Preferred Stock ("Series B Preferred Stock"). All 6,000,000 depositary shares, representing a 1/40th interest in the Series B Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $150.0 million plus all accrued and unpaid dividends as of the Series B Redemption Date. As of June 30, 2017, there are no outstanding shares of Series B Preferred Stock. No further dividends are declared on the Series B Preferred Stock after the Series B Redemption Date.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| 6.70% Noncumulative Perpetual Series A Preferred Stock | $ — | $ 3,342 | $ 1,117 | $ 6,684 |
| 6.20% Noncumulative Perpetual Series B Preferred Stock | 1,980 | 2,325 | 4,305 | 4,650 |
| 5.625% Noncumulative Perpetual Series C Preferred Stock | 2,110 | 2,110 | 4,219 | 4,219 |
| 5.50% Noncumulative Perpetual Series D Preferred Stock | 2,612 | 2,612 | 5,225 | 5,225 |
| 7.00% Noncumulative Perpetual Series E Preferred Stock | 3,500 | 3,500 | 7,000 | 7,000 |
| 5.70% Noncumulative Perpetual Series F Preferred Stock | 1,425 | 1,425 | 2,850 | 2,850 |
| 5.50% Noncumulative Perpetual Series G Preferred Stock | 2,062 | 2,062 | 4,125 | 3,208 |
| 5.125% Noncumulative Perpetual Series H Preferred Stock | 655 | — | 655 | — |
| Total | $ 14,344 | $ 17,376 | $ 29,496 | $ 33,836 |

## Note 11. Common Stock and Stock Plans

*Common Stock*

At June 30, 2017, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At June 30, 2017, the Bank had 157,686,167 shares issued and outstanding. During the first quarter of 2017, the Bank sold 2.5 million new shares of common stock in an underwritten offering, which added $233.7 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 2017, 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 six months ended June 30, 2017, a total of 56,518 shares were sold to employees, and the compensation expense for the Purchase Plan was approximately $531,000.

*First Republic Bank 2017 Omnibus Award Plan*

In May 2017, the Bank adopted the 2017 Omnibus Award Plan (the "Stock Award Plan"), which replaced the 2010 Omnibus Award Plan. Stock awards outstanding that were previously granted under the 2010 Omnibus Award Plan were not affected by the replacement and the terms of the 2010 Omnibus Award Plan will remain effective for such awards.

The Bank is authorized to grant a total of 5,200,946 shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units to its employees, officers and directors under the 2017 Omnibus Award Plan. Upon termination of service, unvested awards are generally forfeited. At June 30, 2017, the Bank had 4,122,554 shares reserved for future stock award grants.

*Stock Options*

At June 30, 2017, the Bank had stock options outstanding of 4,285,110. 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. 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. 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 is generally net of shares withheld to pay the exercise price or taxes due upon the exercise. The Bank currently has outstanding options that have time vesting requirements ("Time Options"), and performance vesting criteria ("Performance Options"). As of June 30, 2017, 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, 2016** | 3,081,650 | $15.00 | | |
| Granted | — | — | | |
| Canceled or forfeited | — | — | | |
| Exercised | (186,815) | $15.00 | | |
| **Options outstanding as of June 30, 2017** | 2,894,835 | $15.00 | 3.0 years | $246,338,149 |

| | Performance Options | | | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
| **Options outstanding as of December 31, 2016** | 1,732,729 | $16.11 | | |
| Granted | — | — | | |
| Canceled or forfeited | — | — | | |
| Exercised | (342,454) | $17.36 | | |
| **Options outstanding as of June 30, 2017** | 1,390,275 | $15.80 | 3.1 years | $117,199,007 |

At June 30, 2017, the weighted average exercise price of all outstanding options was $15.26 and the weighted average remaining contractual term was 3.0 years. The intrinsic value of all options exercised was $41.2 million for the six months ended June 30, 2017.

*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, 2016** | 1,666,364 | $62.61 | | 634,177 | $67.45 | |
| Granted | 804,125 | $100.56 | | 21,217 | $92.42 | |
| Vested | (551,826) | $58.57 | | (177,684) | $67.19 | |
| Canceled or forfeited | (14,700) | $71.47 | | (6,391) | $66.90 | |
| **Nonvested awards as of June 30, 2017** | 1,903,963 | $79.74 | 3.4 years | 471,319 | $68.68 | 2.4 years |

The total fair value of Performance RSUs and Time RSUs that vested in the six months ended June 30, 2017 was $70.4 million. 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, 2016** | 718,000 | $61.29 | |
| Granted | 290,750 | $100.79 | |
| Vested | (81,500) | $67.15 | |
| Canceled or forfeited | — | — | |
| **Nonvested awards as of June 30, 2017** | 927,250 | $73.16 | 2.9 years |

The total fair value of PSUs that vested in the six months ended June 30, 2017 was $7.9 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.

The Bank's RSAs have performance-based vesting requirements ("Performance RSAs"). The majority of Performance RSAs generally vest on a quarterly basis through the end of 2019. 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:

| | Number of Awards | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| **Nonvested awards as of December 31, 2016** | 92,500 | $32.89 | |
| Granted | — | — | |
| Vested | (38,750) | $34.41 | |
| Canceled or forfeited | — | — | |
| **Nonvested awards as of June 30, 2017** | 53,750 | $31.80 | 2.1 years |

The total fair value of Performance RSAs that vested in the six months ended June 30, 2017 was $3.8 million. No cash consideration was received in connection with the vesting of these awards.

*Compensation Expense*

As of June 30, 2017, all compensation costs related to stock options have been fully recognized. RSUs, PSUs and RSAs are valued at the closing market price of the Bank's common stock at the grant date, and compensation expense is recognized over the vesting period. The Bank accounts for forfeitures of stock awards in the period they occur.

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

| | June 30, 2017 | |
|---|---|---|
| ($ in thousands) | Unrecognized Expense | Weighted Average Expected Recognition Period |
| RSUs | $ 174,811 | 3.3 |
| PSUs | 52,626 | 3.8 |
| RSAs | 1,499 | 2.4 |
| Total | $ 228,936 | |

| | Quarter Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| ($ in thousands) | Expense Recognized | Related Tax Benefit | Expense Recognized | Related Tax Benefit | Expense Recognized | Related Tax Benefit | Expense Recognized | Related Tax Benefit |
| Stock Options | $ — | $ — | $ 28 | $ 12 | $ — | $ — | $ 115 | $ 49 |
| RSUs | 12,211 | 5,153 | 9,548 | 4,057 | 23,576 | 9,949 | 15,778 | 6,705 |
| PSUs | 3,322 | 1,402 | 2,186 | 929 | 6,322 | 2,668 | 4,125 | 1,753 |
| RSAs | 193 | 81 | 1,070 | 455 | 505 | 213 | 2,339 | 994 |
| Total | $ 15,726 | $ 6,636 | $ 12,832 | $ 5,453 | $ 30,403 | $ 12,830 | $ 22,357 | $ 9,501 |

*Excess Tax Benefits*

Excess tax benefits from exercise or vesting of share-based awards are included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. The following table presents excess tax benefits recognized, by award type:

| | Quarter Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| ($ in thousands) | Number of Awards Exercised or Vested | Related Excess Tax Benefit | Number of Awards Exercised or Vested | Related Excess Tax Benefit | Number of Awards Exercised or Vested | Related Excess Tax Benefit | Number of Awards Exercised or Vested | Related Excess Tax Benefit |
| Stock Options | 220,405 | $ 7,099 | 388,485 | $ 8,021 | 529,269 | $ 16,316 | 718,184 | $ 14,266 |
| RSUs | 626,260 | 8,764 | 391,709 | 3,380 | 729,510 | 11,368 | 501,459 | 4,641 |
| PSUs | 81,500 | 1,053 | 127,000 | 1,452 | 81,500 | 1,053 | 127,000 | 1,452 |
| RSAs | 9,375 | 275 | 31,250 | 531 | 38,750 | 1,033 | 110,750 | 1,654 |
| Total | 937,540 | $ 17,191 | 938,444 | $ 13,384 | 1,379,029 | $ 29,770 | 1,457,393 | $ 22,013 |

## Note 12. Accumulated Other Comprehensive Income

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

| ($ in thousands) | Securities Available-For-Sale | Securities Transferred from Available-For-Sale to Held-to-Maturity | Total | Securities Available-For-Sale | Securities Transferred from Available-For-Sale to Held-to-Maturity | Total |
|---|---|---|---|---|---|---|
| | Quarter Ended June 30, 2017 | | | Six Months Ended June 30, 2017 | | |
| **Balance at December 31, 2016** | **$ 386** | **$ 3,363** | **$ 3,749** | **$ 2,733** | **$ 3,606** | **$ 6,339** |
| Net unrealized loss on securities available-for-sale | (2,830) | — | (2,830) | (8,236) | — | (8,236) |
| Related tax effect | 1,194 | — | 1,194 | 3,423 | — | 3,423 |
| Reclassification of loss on securities available-for-sale to net income [1] | 602 | — | 602 | 2,037 | — | 2,037 |
| Related tax effect [2] | (254) | — | (254) | (859) | — | (859) |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity [3] | — | (482) | (482) | — | (993) | (993) |
| Related tax effect [2] | — | 203 | 203 | — | 471 | 471 |
| Other comprehensive loss | (1,288) | (279) | (1,567) | (3,635) | (522) | (4,157) |
| **Balance at June 30, 2017** | **$ (902)** | **$ 3,084** | **$ 2,182** | **$ (902)** | **$ 3,084** | **$ 2,182** |
| | Quarter Ended June 30, 2016 | | | Six Months Ended June 30, 2016 | | |
| **Balance at December 31, 2015** | **$ 5,709** | **$ 4,902** | **$10,611** | **$ (5,220)** | **$ —** | **$ (5,220)** |
| Net unrealized gain on securities available-for-sale | 5,973 | — | 5,973 | 36,813 | — | 36,813 |
| Related tax effect | (2,539) | — | (2,539) | (15,646) | — | (15,646) |
| Reclassification of loss (gain) on securities available-for-sale to net income [1] | 187 | — | 187 | (3,073) | — | (3,073) |
| Related tax effect [2] | (80) | — | (80) | 1,306 | — | 1,306 |
| 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 [3] | — | (769) | (769) | — | (819) | (819) |
| Related tax effect [2] | — | 327 | 327 | — | 349 | 349 |
| Other comprehensive income (loss) | 3,541 | (442) | 3,099 | 14,470 | 4,460 | 18,930 |
| **Balance at June 30, 2016** | **$ 9,250** | **$ 4,460** | **$13,710** | **$ 9,250** | **$ 4,460** | **$13,710** |

[1] Included in gain (loss) on investment securities, net on the consolidated statements of income and comprehensive income.
[2] Included in provision for income taxes on the consolidated statements of income and comprehensive income.
[3] Included in interest income on investments on the consolidated statements of income and comprehensive income.

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

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2017** | **2016** | **2017** | **2016** |
| **Basic EPS:** | | | | |
| Net income | $ 186,600 | $ 164,997 | $ 363,374 | $ 322,492 |
| Less: Dividends on preferred stock | 14,344 | 17,376 | 29,496 | 33,836 |
| Net income available to common shareholders | $ 172,256 | $ 147,621 | $ 333,878 | $ 288,656 |
| Weighted average common shares outstanding | 157,302 | 147,208 | 156,163 | 146,586 |
| Net income per common share—basic | $ 1.10 | $ 1.00 | $ 2.14 | $ 1.97 |
| **Diluted EPS:** | | | | |
| Net income available to common shareholders | $ 172,256 | $ 147,621 | $ 333,878 | $ 288,656 |
| Weighted average shares: | | | | |
| Common shares outstanding | 157,302 | 147,208 | 156,163 | 146,586 |
| Dilutive effect of stock options | 3,704 | 4,537 | 3,779 | 4,661 |
| Dilutive effect of restricted stock awards, restricted stock units and performance share units | 1,329 | 857 | 1,448 | 905 |
| Weighted average diluted common shares outstanding | 162,335 | 152,602 | 161,390 | 152,152 |
| Net income per common share—diluted | $ 1.06 | $ 0.97 | $ 2.07 | $ 1.90 |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Restricted stock units and performance share units | 176 | 300 | 88 | 169 |

**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 earns fee income for offering sales of insurance and annuity products to clients and managing the Bank's investment portfolio and is allocated a portion of interest income that is earned on deposits gathered by wealth management professionals, including sweep deposit accounts.

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

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

| ($ in thousands) | Commercial Banking | Wealth Management | Reconciling Items | Consolidated Total |
|---|---|---|---|---|
| **At or for the Quarter Ended June 30, 2017** | | | | |
| Net interest income | $ 514,964 | $ 17,000 | $ — | $ 531,964 |
| Provision for loan losses | 23,938 | — | — | 23,938 |
| Noninterest income | 22,835 | 94,718 | (8,181) | 109,372 |
| Amortization of intangibles | 1,375 | 3,918 | — | 5,293 |
| Other noninterest expense | 320,233 | 79,755 | (8,181) | 391,807 |
| Income before provision for income taxes | 192,253 | 28,045 | — | 220,298 |
| Provision for income taxes | 22,671 | 11,027 | — | 33,698 |
| Net income | $ 169,582 | $ 17,018 | $ — | $ 186,600 |
| Goodwill | $ 56,165 | $ 147,012 | $ — | $ 203,177 |
| Total Assets | $ 80,599,874 | $ 552,572 | $ (174,215) | $ 80,978,231 |
| **At or for the Quarter Ended June 30, 2016** | | | | |
| Net interest income | $ 427,253 | $ 14,365 | $ — | $ 441,618 |
| Provision for loan losses | 14,200 | — | — | 14,200 |
| Noninterest income | 22,551 | 76,965 | (6,059) | 93,457 |
| Amortization of intangibles | 1,809 | 4,577 | — | 6,386 |
| Other noninterest expense | 254,204 | 65,551 | (6,059) | 313,696 |
| Income before provision for income taxes | 179,591 | 21,202 | — | 200,793 |
| Provision for income taxes | 27,725 | 8,071 | — | 35,796 |
| Net income | $ 151,866 | $ 13,131 | $ — | $ 164,997 |
| Goodwill | $ 24,604 | $ 147,012 | $ — | $ 171,616 |
| Total Assets | $ 64,324,510 | $ 468,883 | $ (63,530) | $ 64,729,863 |

| ($ in thousands) | Commercial Banking | Wealth Management | Reconciling Items | Consolidated Total |
|---|---|---|---|---|
| **At or for the Six Months Ended June 30, 2017** | | | | |
| Net interest income | $ 999,171 | $ 32,478 | $ — | $ 1,031,649 |
| Provision for loan losses | 33,026 | — | — | 33,026 |
| Noninterest income | 46,057 | 180,696 | (15,922) | 210,831 |
| Amortization of intangibles | 2,858 | 8,002 | — | 10,860 |
| Other noninterest expense | 623,189 | 157,512 | (15,922) | 764,779 |
| Income before provision for income taxes | 386,155 | 47,660 | — | 433,815 |
| Provision for income taxes | 52,733 | 17,708 | — | 70,441 |
| Net income | $ 333,422 | $ 29,952 | $ — | $ 363,374 |
| Goodwill | $ 56,165 | $ 147,012 | $ — | $ 203,177 |
| Total Assets | $ 80,599,874 | $ 552,572 | $ (174,215) | $ 80,978,231 |
| **At or for the Six Months Ended June 30, 2016** | | | | |
| Net interest income | $ 839,653 | $ 26,280 | $ — | $ 865,933 |
| Provision for loan losses | 18,692 | — | — | 18,692 |
| Noninterest income | 48,624 | 151,685 | (11,602) | 188,707 |
| Amortization of intangibles | 3,726 | 9,321 | — | 13,047 |
| Other noninterest expense | 507,130 | 130,701 | (11,602) | 626,229 |
| Income before provision for income taxes | 358,729 | 37,943 | — | 396,672 |
| Provision for income taxes | 59,259 | 14,921 | — | 74,180 |
| Net income | $ 299,470 | $ 23,022 | $ — | $ 322,492 |
| Goodwill | $ 24,604 | $ 147,012 | $ — | $ 171,616 |
| Total Assets | $ 64,324,510 | $ 468,883 | $ (63,530) | $ 64,729,863 |

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

## Note 15. Concentration of Deposits

At June 30, 2017, approximately 1% of our deposit relationships hold approximately 48% of total deposits, compared to 46% at December 31, 2016.

## Note 16. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the quarter ended June 30, 2017. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the quarter and six months ended June 30, 2017 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, 2016 (the "2016 Form 10-K").

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

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

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

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

- Our ability to recruit and retain key managers, employees and board members;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Our ability to maintain and follow high underwriting standards;
- Economic and market conditions 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;
- Demand for our products and services;
- 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 III 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; and
- Custom technology preferences of our customers and our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report, the 2016 Form 10-K and our other filings under the Exchange Act. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

## Selected Financial Data

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

| ($ in thousands, except per share amounts) | At or for the Quarter Ended June 30, 2017 | At or for the Quarter Ended June 30, 2016 | At or for the Six Months Ended June 30, 2017 | At or for the Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Selected Financial Data:** | | | | |
| Interest income | $ 599,155 | $ 479,412 | $ 1,151,650 | $ 938,965 |
| Interest expense | 67,191 | 37,794 | 120,001 | 73,032 |
| Net interest income | 531,964 | 441,618 | 1,031,649 | 865,933 |
| Provision for loan losses | 23,938 | 14,200 | 33,026 | 18,692 |
| Net interest income after provision for loan losses | 508,026 | 427,418 | 998,623 | 847,241 |
| Noninterest income | 109,372 | 93,457 | 210,831 | 188,707 |
| Noninterest expense | 397,100 | 320,082 | 775,639 | 639,276 |
| Net income | 186,600 | 164,997 | 363,374 | 322,492 |
| Dividends on preferred stock | 14,344 | 17,376 | 29,496 | 33,836 |
| Net income available to common shareholders | $ 172,256 | $ 147,621 | $ 333,878 | $ 288,656 |
| **Selected Ratios:** | | | | |
| Basic earnings per common share ("EPS") | $ 1.10 | $ 1.00 | $ 2.14 | $ 1.97 |
| Diluted EPS | $ 1.06 | $ 0.97 | $ 2.07 | $ 1.90 |
| Net income to average assets [(1)] | 0.96% | 1.05% | 0.97% | 1.04% |
| Net income available to common shareholders to average common equity [(1)] | 11.01% | 11.84% | 11.00% | 11.79% |
| Average total equity to average total assets | 9.32% | 9.70% | 9.37% | 9.67% |
| Dividends per common share | $ 0.17 | $ 0.16 | $ 0.33 | $ 0.31 |
| Dividend payout ratio | 16.0% | 16.5% | 16.0% | 16.3% |
| Book value per common share | $ 39.76 | $ 34.51 | $ 39.76 | $ 34.51 |
| Tangible book value per common share | $ 37.83 | $ 32.53 | $ 37.83 | $ 32.53 |
| Net interest margin [(1), (2)] | 3.16% | 3.21% | 3.14% | 3.20% |
| Efficiency ratio [(3)] | 61.9% | 59.8% | 62.4% | 60.6% |
| **Selected Asset Quality Ratios:** | | | | |
| Nonperforming assets to total assets | 0.06% | 0.09% | 0.06% | 0.09% |
| Net loan charge-offs to average total loans [(1)] | 0.00% | 0.01% | 0.00% | 0.00% |
| **Capital Ratios:** | | | | |
| Tier 1 leverage ratio [(4)] | 8.99% | 9.58% | 8.99% | 9.58% |
| Common Equity Tier 1 ratio [(4)] | 10.72% | 10.74% | 10.72% | 10.74% |
| Tier 1 risk-based capital ratio [(4)] | 12.49% | 13.23% | 12.49% | 13.23% |
| Total risk-based capital ratio [(4)] | 14.51% | 13.86% | 14.51% | 13.86% |

(1) Ratios are annualized.

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

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

(4) 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 accounting principles generally accepted in the United States ("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 discussion of our critical accounting policies and estimates, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2016 Form 10-K.

## Current Accounting Developments

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 2016 Form 10-K under "Item 1. Business—Supervision and Regulation," the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States. The Dodd-Frank Act, in turn, may itself be subject to potentially significant changes under the new U.S. presidential administration and Congress, although the nature and extent of any such changes cannot be predicted.

## Financial Highlights

At June 30, 2017, total assets were $81.0 billion, an 11% increase compared to $73.3 billion at December 31, 2016 and a 25% increase compared to $64.7 billion at June 30, 2016.

At June 30, 2017, total investment securities were $16.9 billion, an 11% increase compared to $15.2 billion at December 31, 2016 and a 46% increase compared to $11.6 billion at June 30, 2016. Total investment securities represented 21% of total assets at June 30, 2017 and December 31, 2016 and 18% at June 30, 2016. The increases in investment securities were primarily due to purchases of investments that are considered high-quality liquid assets ("HQLA") and municipal securities. Our holdings of HQLA, including eligible cash, totaled $9.9 billion at June 30, 2017, compared to $9.0 billion at December 31, 2016 and $6.3 billion at June 30, 2016. At June 30, 2017, such assets represented 12.8% of average total assets for the second quarter of 2017.

At June 30, 2017, loans, excluding loans held for sale, were $57.8 billion, an 11% increase compared to $52.0 billion at December 31, 2016, and a 21% increase compared to $47.6 billion at June 30, 2016. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $32.0 billion and represented 55% of total loans at June 30, 2017, compared to $29.3 billion, or 56% of total loans at December 31, 2016 and $27.2 billion, or 57% of total loans at June 30, 2016.

Loan origination volume was $7.3 billion for the second quarter of 2017, compared to $6.5 billion for the second quarter of 2016, an increase of 12%, and was $12.9 billion for the six months ended June 30, 2017, compared to $11.3 billion for the six months ended June 30, 2016, an increase of 14%. The increases were primarily due to increases in originations of single family, construction and business loans.

Total deposits were $63.3 billion at June 30, 2017, an increase of 8% compared to $58.6 billion at December 31, 2016, and an increase of 24% compared to $51.2 billion at June 30, 2016. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. At June 30, 2017, balances in business and personal checking accounts were $40.1 billion, or 63% of total deposits, compared to $37.3 billion, or 64% of total deposits at December 31, 2016 and $32.5 billion, or 63% of total deposits at June 30, 2016, as we continued to emphasize building banking relationships through checking and other transaction deposit accounts. At June 30, 2017, business deposits were $35.8 billion and represented 57% of total deposits, compared to $31.0 billion, or 53% of total deposits at December 31, 2016, and $27.2 billion, or 53% of total deposits at June 30, 2016.

On June 6, 2017, we completed an underwritten public offering of $500 million of 5-year term, fixed-rate unsecured senior notes. Net proceeds were $495.4 million. The senior notes bear a contractual fixed rate of 2.500% and will mature on June 6, 2022.

Our Common Equity Tier 1 and total risk-based capital ratios at June 30, 2017 were 10.72% and 14.51%, respectively. As described in our 2016 Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Requirements," the Basel III Capital Rules are subject to a phase-in period through the end of 2018. If fully phased-in, our Common Equity Tier 1 and total risk-based capital ratios at June 30, 2017 would have been 10.63% and 14.41%, 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 $39.76 at June 30, 2017, a 6% increase from December 31, 2016 and a 15% increase during the last twelve months. Tangible book value per common share was $37.83 at June 30, 2017, a 7% increase from December 31, 2016 and a 16% increase during the last twelve months.

During the six months ended June 30, 2017, we issued and sold 2.5 million new shares of common stock in an underwritten public offering, which added $233.7 million to common equity.

On June 7, 2017, we completed a public offering of 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.125% Noncumulative Perpetual Series H Preferred Stock ("Series H Preferred Stock"), at a public offering price of $25.00 per depositary share. The Bank issued 200,000 shares of the Series H Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $193.7 million.

During the six months ended June 30, 2017, we redeemed all outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock and our 6.20% Noncumulative Perpetual Series B Preferred Stock, which totaled $199.5 million and $150.0 million, respectively, plus all accrued and unpaid dividends through each respective date of redemption.

During the six months ended June 30, 2017, we completed an underwritten public offering of $400 million of 30-year term, fixed-rate unsecured subordinated notes. Net proceeds were $389.3 million. The subordinated notes bear a contractual fixed rate of 4.625% and will mature on February 13, 2047. Such notes qualify as Tier 2 capital.

Cash dividends paid in the second quarter of 2017 were $0.17 per share of common stock to shareholders of record as of April 27, 2017, compared to $0.16 in the second quarter of 2016. Cash dividends paid in the six months ended June 30, 2017 were $0.33 per share of common stock, compared to $0.31 in the six months ended June 30, 2016. On July 14, 2017, we declared a cash dividend for the second quarter of $0.17 per share, which is payable on August 10, 2017 to shareholders of record as of July 27, 2017. 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 $95.4 billion at June 30, 2017, an increase of $11.8 billion, or 14%, from $83.6 billion at December 31, 2016 and an increase of $19.6 billion, or 26%, from $75.8 billion at June 30, 2016. The increases in AUM and AUA were due to both net new assets from existing and new clients and market appreciation.

**Results of Operations—Quarter and Six Months Ended June 30, 2017, Compared to Quarter and Six Months Ended June 30, 2016**

***Overview***

Net income for the quarter and six months ended June 30, 2017 was $186.6 million and $363.4 million, compared to $165.0 million and $322.5 million for the quarter and six months ended June 30, 2016, respectively, an increase of $21.6 million, or 13%, for the quarter, and an increase of $40.9 million, or 13%, for the six months. Diluted EPS for the quarter and six months ended June 30, 2017 were $1.06 and $2.07, compared to $0.97 and $1.90 for the quarter and six months ended June 30, 2016, respectively, an increase of 9% for both the quarter and the six months.

Net income for the Commercial Banking segment for the quarter and six months ended June 30, 2017 was $169.6 million and $333.4 million, compared to $151.9 million and $299.5 million for the quarter and six months ended June 30, 2016, respectively, an increase of 12% for the quarter, and an increase of 11% for the six months. The Wealth Management segment's net income for the quarter and six months ended June 30, 2017 was $17.0 million and $30.0 million, compared to $13.1 million and $23.0 million for the quarter and six months ended June 30, 2016, respectively, an increase of 30% for both the quarter and the six months. For a discussion of segment results, see "—Business Segments."

***Net Interest Income***

Net interest income for the quarter and six months ended June 30, 2017 was $532.0 million and $1.0 billion, compared to $441.6 million and $865.9 million for the quarter and six months ended June 30, 2016, respectively, an increase of $90.3 million, or 20%, for the quarter and $165.7 million, or 19%, for the six months.

Fully taxable-equivalent net interest income for the quarter and six months ended June 30, 2017 was $585.1 million and $1.1 billion, compared to $483.5 million and $947.2 million for the quarter and six months ended June 30, 2016, respectively, an increase of 21% for the quarter, and an increase of 20% for the six months.

On an average basis, interest-earning assets and interest-bearing liabilities for the second quarter of 2017 each increased 23% from the second quarter of 2016. For the six months ended June 30, 2017, average interest-earning assets and interest-bearing liabilities each increased 22% from the six months ended June 30, 2016.

*Yields/Rates (Fully Taxable-Equivalent Basis)*

The following tables present 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.

| | Quarter Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| ($ in thousands) | Average Balance | Interest Income/ Expense | Yields/ Rates (1) | Average Balance | Interest Income/ Expense | Yields/ Rates (1) |
| **Assets:** | | | | | | |
| Cash and cash equivalents | $ 1,321,995 | $ 3,126 | 0.95 % | $ 1,214,206 | $ 1,397 | 0.46 % |
| Investment securities: | | | | | | |
| U.S. Treasury and other U.S. Government agency securities | 110,623 | 200 | 0.72 % | — | — | — % |
| U.S. Government-sponsored agency securities | 1,149,412 | 7,793 | 2.71 % | 912,859 | 6,621 | 2.90 % |
| Mortgage-backed securities ("MBS"): | | | | | | |
| Agency residential and commercial MBS | 7,344,370 | 46,113 | 2.51 % | 5,048,472 | 30,051 | 2.38 % |
| Other residential and commercial MBS | 8,372 | 59 | 2.83 % | 11,846 | 78 | 2.65 % |
| Municipal securities (2) | 7,907,376 | 117,780 | 5.98 % | 5,706,128 | 85,891 | 6.02 % |
| Other investment securities (3) | 2,259 | 9 | 1.59 % | 835 | — | 0.00 % |
| Total investment securities | 16,522,412 | 171,954 | 4.17 % | 11,680,140 | 122,641 | 4.20 % |
| Loans: | | | | | | |
| Residential real estate | 31,067,139 | 233,028 | 3.00 % | 26,843,749 | 198,563 | 2.96 % |
| Multifamily | 7,174,869 | 64,111 | 3.53 % | 5,788,130 | 53,530 | 3.66 % |
| Commercial real estate | 5,711,608 | 58,517 | 4.05 % | 4,901,870 | 53,174 | 4.29 % |
| Construction | 1,479,508 | 17,301 | 4.63 % | 1,179,583 | 13,330 | 4.47 % |
| Business (2) | 7,250,060 | 79,090 | 4.32 % | 6,076,803 | 62,567 | 4.07 % |
| Other | 3,069,513 | 22,354 | 2.88 % | 2,055,796 | 13,133 | 2.53 % |
| Total loans | 55,752,697 | 474,401 | 3.39 % | 46,845,931 | 394,297 | 3.35 % |
| Federal Home Loan Bank ("FHLB") stock | 221,393 | 2,784 | 5.04 % | 162,320 | 2,931 | 7.26 % |
| Total interest-earning assets | 73,818,497 | 652,265 | 3.52 % | 59,902,597 | 521,266 | 3.47 % |
| Noninterest-earning assets: | | | | | | |
| Noninterest-earning cash | 333,651 | | | 273,438 | | |
| Goodwill and other intangibles | 307,275 | | | 299,036 | | |
| Other assets | 3,258,671 | | | 2,965,106 | | |
| Total noninterest-earning assets | 3,899,597 | | | 3,537,580 | | |
| Total Assets | $ 77,718,094 | | | $ 63,440,177 | | |
| **Liabilities and Equity:** | | | | | | |
| Deposits: | | | | | | |
| Checking | $ 38,014,639 | 1,435 | 0.02 % | $ 31,969,559 | 579 | 0.01 % |
| Money market checking and savings | 16,336,980 | 7,130 | 0.18 % | 13,687,722 | 2,749 | 0.08 % |
| Certificates of deposit ("CDs") | 5,774,830 | 17,790 | 1.24 % | 4,423,240 | 13,062 | 1.19 % |
| Total deposits | 60,126,449 | 26,355 | 0.18 % | 50,080,521 | 16,390 | 0.13 % |
| Borrowings: | | | | | | |
| Short-term borrowings | 1,433,516 | 3,698 | 1.03 % | 1,621,978 | 1,949 | 0.48 % |
| Long-term FHLB advances | 6,541,209 | 24,439 | 1.50 % | 4,225,824 | 16,746 | 1.59 % |
| Senior notes (4) | 534,418 | 3,469 | 2.60 % | 397,458 | 2,573 | 2.59 % |
| Subordinated notes (4) | 776,850 | 9,093 | 4.68 % | — | — | — % |
| Other borrowings | 25,147 | 137 | 2.20 % | 28,788 | 136 | 1.88 % |
| Total borrowings | 9,311,140 | 40,836 | 1.76 % | 6,274,048 | 21,404 | 1.37 % |
| Total interest-bearing liabilities | 69,437,589 | 67,191 | 0.39 % | 56,354,569 | 37,794 | 0.27 % |
| Noninterest-bearing liabilities | 1,036,242 | | | 932,418 | | |
| Preferred equity | 966,374 | | | 1,139,525 | | |
| Common equity | 6,277,889 | | | 5,013,665 | | |
| Total Liabilities and Equity | $ 77,718,094 | | | $ 63,440,177 | | |
| Net interest spread (5) | | | 3.13 % | | | 3.20 % |
| Net interest income (fully taxable-equivalent basis) and net interest margin (6) | | $ 585,074 | 3.16 % | | $ 483,472 | 3.21 % |
| **Reconciliation of tax-equivalent net interest income to reported net interest income:** | | | | | | |
| Municipal securities tax-equivalent adjustment | | (41,519) | | | (30,988) | |
| Business loans tax-equivalent adjustment | | (11,591) | | | (10,866) | |
| Net interest income, as reported | | $ 531,964 | | | $ 441,618 | |

(1) Yields/rates are annualized.

(2) Interest income is presented on a fully taxable-equivalent basis.

(3) Includes marketable equity securities.

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

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

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

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| ($ in thousands) | Average Balance | Interest Income/ Expense | Yields/ Rates [(1)] | Average Balance | Interest Income/ Expense | Yields/ Rates [(1)] |
| **Assets:** | | | | | | |
| Cash and cash equivalents | $ 1,385,012 | $ 5,794 | 0.84% | $ 1,858,535 | $ 4,497 | 0.49% |
| Investment securities: | | | | | | |
| U.S. Treasury and other U.S. Government agency securities | 110,783 | 401 | 0.72% | 10,669 | 50 | 0.94% |
| U.S. Government-sponsored agency securities | 1,094,746 | 14,811 | 2.71% | 829,406 | 12,307 | 2.97% |
| MBS: | | | | | | |
| Agency residential and commercial MBS | 7,153,109 | 89,289 | 2.50% | 4,832,421 | 59,096 | 2.45% |
| Other residential and commercial MBS | 8,709 | 123 | 2.83% | 12,268 | 149 | 2.43% |
| Municipal securities [(2)] | 7,611,727 | 222,726 | 5.85% | 5,435,265 | 165,108 | 6.08% |
| Other investment securities [(3)] | 2,118 | 9 | 0.86% | 692 | — | 0.00% |
| Total investment securities | 15,981,192 | 327,359 | 4.10% | 11,120,721 | 236,710 | 4.26% |
| Loans: | | | | | | |
| Residential real estate | 30,432,871 | 451,104 | 2.97% | 26,354,424 | 392,673 | 2.98% |
| Multifamily | 6,965,309 | 123,220 | 3.52% | 5,683,236 | 104,386 | 3.63% |
| Commercial real estate | 5,624,049 | 114,735 | 4.06% | 4,689,080 | 101,570 | 4.28% |
| Construction | 1,458,654 | 33,816 | 4.61% | 1,167,333 | 26,911 | 4.56% |
| Business [(2)] | 7,035,965 | 149,429 | 4.22% | 5,989,309 | 124,014 | 4.10% |
| Other | 2,911,873 | 41,751 | 2.85% | 1,848,598 | 23,746 | 2.54% |
| Total loans | 54,428,721 | 914,055 | 3.35% | 45,731,980 | 773,300 | 3.36% |
| FHLB stock | 191,517 | 6,155 | 6.48% | 147,380 | 5,746 | 7.84% |
| Total interest-earning assets | 71,986,442 | 1,253,363 | 3.48% | 58,858,616 | 1,020,253 | 3.45% |
| Noninterest-earning assets: | | | | | | |
| Noninterest-earning cash | 320,576 | | | 271,311 | | |
| Goodwill and other intangibles | 309,937 | | | 302,312 | | |
| Other assets | 3,213,682 | | | 2,956,579 | | |
| Total noninterest-earning assets | 3,844,195 | | | 3,530,202 | | |
| Total Assets | $ 75,830,637 | | | $ 62,388,818 | | |
| **Liabilities and Equity:** | | | | | | |
| Deposits: | | | | | | |
| Checking | $ 37,684,917 | 2,561 | 0.01% | $ 31,876,177 | 1,112 | 0.01% |
| Money market checking and savings | 16,318,179 | 12,119 | 0.15% | 13,608,463 | 5,071 | 0.07% |
| CDs | 5,561,809 | 33,726 | 1.22% | 4,483,314 | 26,715 | 1.20% |
| Total deposits | 59,564,905 | 48,406 | 0.16% | 49,967,954 | 32,898 | 0.13% |
| Borrowings: | | | | | | |
| Short-term borrowings | 781,353 | 4,217 | 1.09% | 863,736 | 2,329 | 0.54% |
| Long-term FHLB advances | 6,165,746 | 45,054 | 1.47% | 4,041,484 | 32,390 | 1.61% |
| Senior notes [(4)] | 466,615 | 6,046 | 2.59% | 397,359 | 5,145 | 2.59% |
| Subordinated notes [(4)] | 684,284 | 16,008 | 4.68% | — | — | —% |
| Other borrowings | 25,509 | 270 | 2.12% | 29,031 | 270 | 1.86% |
| Total borrowings | 8,123,507 | 71,595 | 1.77% | 5,331,610 | 40,134 | 1.51% |
| Total interest-bearing liabilities | 67,688,412 | 120,001 | 0.36% | 55,299,564 | 73,032 | 0.27% |
| Noninterest-bearing liabilities | 1,038,605 | | | 1,058,373 | | |
| Preferred equity | 985,228 | | | 1,106,558 | | |
| Common equity | 6,118,392 | | | 4,924,323 | | |
| Total Liabilities and Equity | $ 75,830,637 | | | $ 62,388,818 | | |
| Net interest spread [(5)] | | | 3.12% | | | 3.18% |
| Net interest income (fully taxable-equivalent basis) and net interest margin [(6)] | | $ 1,133,362 | 3.14% | | $ 947,221 | 3.20% |
| **Reconciliation of tax-equivalent net interest income to reported net interest income:** | | | | | | |
| Municipal securities tax-equivalent adjustment | | (78,866) | | | (59,669) | |
| Business loans tax-equivalent adjustment | | (22,847) | | | (21,619) | |
| Net interest income, as reported | | $ 1,031,649 | | | $ 865,933 | |

(1) Yields/rates are annualized.

(2) Interest income is presented on a fully taxable-equivalent basis.

(3) Includes marketable equity securities.

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

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

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

### *Interest Income*

Total interest income consists of interest income on loans and investments, FHLB stock dividends, and interest income on cash and cash equivalents. Total interest income was $599.2 million and $1.2 billion for the quarter and six months ended June 30, 2017, compared to $479.4 million and $939.0 million for the quarter and six months ended June 30, 2016, respectively, an increase of $119.7 million, or 25%, for the quarter and an increase of $212.7 million, or 23%, for the six months. The increase for the second quarter of 2017 was the result of an increase of 23% in average interest-earning assets, which were $73.8 billion, compared to $59.9 billion for the second quarter of 2016, and an increase in the average yield on interest-earning assets to 3.52% from 3.47% for the second quarter of 2016. The increase for the six months ended June 30, 2017 was the result of an increase of 22% in average interest-earning assets, which were $72.0 billion, compared to $58.9 billion for the six months ended June 30, 2016, and an increase in the average yield on interest-earning assets to 3.48% from 3.45% for the six months ended June 30, 2016.

*Loans*

Interest income on loans for the quarter and six months ended June 30, 2017 was $462.8 million and $891.2 million, compared to $383.4 million and $751.7 million for the quarter and six months ended June 30, 2016, respectively, an increase of $79.4 million, or 21%, for the quarter, and an increase of $139.5 million, or 19%, for the six months due to continued loan growth. Fully taxable-equivalent interest income on loans was $474.4 million for the second quarter of 2017, compared to $394.3 million for the second quarter of 2016, an increase of 20%, and was $914.1 million for the six months ended June 30, 2017, compared to $773.3 million for the six months ended June 30, 2016, an increase of 18%.

Average loan balances were $55.8 billion for the second quarter of 2017, compared to $46.8 billion for the second quarter of 2016, an increase of 19%, and were $54.4 billion for the six months ended June 30, 2017, compared to $45.7 billion for the six months ended June 30, 2016, an increase of 19%. The average yield on loans was 3.39% for the second quarter of 2017, compared to 3.35% for the second quarter of 2016, and was 3.35% for the six months ended June 30, 2017, compared to 3.36% for the six months ended June 30, 2016.

Interest income on loans included prepayment penalty fees of $2.1 million and $3.8 million for the quarter and six months ended June 30, 2017, compared to $3.5 million and $6.0 million for the quarter and six months ended June 30, 2016, respectively. The decreases in these fees compared to the same periods a year ago were primarily due to lower prepayments on single family and multifamily loans.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.27% at June 30, 2017, compared to 3.17% at December 31, 2016 and 3.16% at June 30, 2016. For adjustable-rate mortgages ("ARMs"), the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At June 30, 2017, approximately 37% of our total loans were adjustable-rate or mature within one year, compared to 38% and 39% at December 31, 2016 and June 30, 2016, respectively.

*Investments*

Interest income on investments for the quarter and six months ended June 30, 2017 was $130.4 million and $248.5 million, compared to $91.7 million and $177.0 million for the quarter and six months ended June 30, 2016, respectively, an increase of $38.8 million, or 42%, for the quarter, and an increase of $71.5 million, or 40%, for the six months. The increases were due to the purchases of new investments. Average investment balances were $16.5 billion for the second quarter of 2017, compared to $11.7 billion for the second quarter of 2016, an increase of 41%, and were $16.0 billion for the six months ended June 30, 2017, compared to $11.1 billion for the six months ended June 30, 2016, an increase of 44%. The increases were primarily due to purchases of HQLA and purchases of municipal securities. The average yield on investment securities for the second quarter of 2017 was 4.17%, compared to 4.20% for the second quarter of 2016, a decline of 3 basis points, and was 4.10% for the six months ended June 30, 2017, compared to 4.26% for the six months ended June 30, 2016, a decline of 16 basis points. The yield declines were the result of a change in the mix of the investment portfolio from increases in our holdings of agency MBS, which are considered HQLA, and also due to purchases of new municipal securities at slightly lower yields than the existing portfolio as a result of the interest rate environment. Fully taxable-equivalent interest income on investments was $172.0 million for the second quarter of 2017, compared to $122.6 million for the second quarter of 2016, an increase of 40%, and was $327.4 million for the six months ended June 30, 2017, compared to $236.7 million for the six months ended June 30, 2016, an increase of 38%.

*FHLB Stock*

Dividends on FHLB stock for the quarter and six months ended June 30, 2017 were $2.8 million and $6.2 million, compared to $2.9 million and $5.7 million for the quarter and six months ended June 30, 2016, respectively, a slight decrease for the quarter and a 7% increase for the six months. The average yield on FHLB stock was 5.04% for the second quarter of 2017, compared to 7.26% for the second quarter of 2016, and was 6.48% for the six months ended June 30, 2017, compared to 7.84% for the six months ended June 30, 2016. The decline in dividend income and yield in the second quarter of 2017 was due to lower dividend rates, partially offset by higher average FHLB stock balances. The increase in dividend income and decline in yield in the six months ended June 30, 2017 was primarily due to higher average FHLB stock balances, partially offset by lower dividend rates. Average FHLB stock balances were $221.4 million for the second quarter of 2017, compared to $162.3 million for the second quarter of 2016, an increase of 36%, and were $191.5 million for the six months ended June 30, 2017, compared to $147.4 million for the six months ended June 30, 2016, an increase of 30%.

***Interest Expense***

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes, subordinated notes and other borrowings. Total interest expense was $67.2 million and $120.0 million for the quarter and six months ended June 30, 2017, compared to $37.8 million and $73.0 million for the quarter and six months ended June 30, 2016, respectively, an increase of $29.4 million, or 78%, for the quarter, and an increase of $47.0 million, or 64%, for the six months. The increase for the second quarter of 2017 was the result of an increase of 23% in average interest-bearing liabilities, which were $69.4 billion, compared to $56.4 billion for the second quarter of 2016 and an increase in the average cost of interest-bearing liabilities to 0.39% from 0.27% for the second quarter of 2016. The increase for the six months ended June 30, 2017 was the result of an increase of 22% in average interest-bearing liabilities, which were $67.7 billion, compared to $55.3 billion for the six months ended June 30, 2016, and an increase in the average cost of interest-bearing liabilities to 0.36% from 0.27% for the six months ended June 30, 2016.

*Deposits*

Interest expense on deposits was $26.4 million and $48.4 million for the quarter and six months ended June 30, 2017, compared to $16.4 million and $32.9 million for the quarter and six months ended June 30, 2016, respectively, an increase of $10.0 million, or 61%, for the quarter, and an increase of $15.5 million, or 47%, for the six months. The increases in interest expense were driven by growth in deposit balances, along with a slight increase in rates paid on deposits. The average interest rate paid on deposits was 0.18% and 0.13% for the second quarter of 2017 and 2016, and was 0.16% and 0.13% for the six months ended June 30, 2017 and 2016, respectively.

Average deposit balances were $60.1 billion for the second quarter of 2017, an increase of 20% from $50.1 billion for the second quarter of 2016, and were $59.6 billion for the six months ended June 30, 2017, an increase of 19% from $50.0 billion for the six months ended June 30, 2016. The following table presents average deposit balances by deposit type as a percentage of average total deposits:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Average Deposits by Type as a % of Average Total Deposits** | **2017** | **2016** | **2017** | **2016** |
| Checking | 63% | 64% | 63% | 64% |
| Money market checking and savings | 27% | 27% | 28% | 27% |
| CDs | 10% | 9% | 9% | 9% |

At June 30, 2017 and 2016, the weighted average contractual rate paid on total deposits was 0.23% and 0.14%, respectively. At June 30, 2017, our total deposits were $63.3 billion, compared to $51.2 billion at June 30, 2016, 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 $40.8 million and $71.6 million for the quarter and six months ended June 30, 2017, compared to $21.4 million and $40.1 million for the quarter and six months ended June 30, 2016, respectively, an increase of $19.4 million, or 91%, for the quarter, and an increase of $31.5 million, or 78%, for the six months. Such increases were primarily due to an increase in long-term FHLB advances, two new issuances of 30-year, fixed-rate subordinated notes in August 2016 and February 2017, and an issuance of 5-year, fixed-rate senior notes in June 2017.

Short-term borrowings, which include federal funds purchased, short-term FHLB advances and securities sold under agreements to repurchase, have an original maturity of one year or less. At June 30, 2017 and 2016, short-term borrowings were $150.0 million and $950.0 million, respectively. Interest expense on short-term borrowings was $3.7 million and $4.2 million for the quarter and six months ended June 30, 2017, compared to $1.9 million and $2.3 million for the quarter and six months ended June 30, 2016, respectively, an increase of $1.7 million, or 90%, for the quarter, and an increase of $1.9 million, or 81%, for the six months. The increases were primarily due to increases in the average cost of short-term borrowings as short-term interest rates have risen over the past year consistent with actions taken by the Federal Open Market Committee. The average cost of short-term borrowings was 1.03% for the second quarter of 2017, compared to 0.48% for the second quarter of 2016, and was 1.09% for the six months ended June 30, 2017, compared to 0.54% for the six months ended June 30, 2016. Average short-term borrowings for the second quarter of 2017 were $1.4 billion, compared to $1.6 billion for the second quarter of 2016 and were $781.4 million for the six months ended June 30, 2017, compared to $863.7 million for the six months ended June 30, 2016.

At June 30, 2017, long-term FHLB advances outstanding were $7.6 billion, compared to $5.1 billion at June 30, 2016. Interest expense on long-term FHLB advances was $24.4 million and $45.1 million for the quarter and six months ended June 30, 2017, compared to $16.7 million and $32.4 million for the quarter and six months ended June 30, 2016, respectively, an increase of $7.7 million, or 46%, for the quarter, and an increase of $12.7 million, or 39%, for the six months. The increase for the second quarter of 2017 was primarily due to higher average balances, partially offset by a decrease in the average cost of long-term FHLB advances. The increase for the six months ended June 30, 2017 was primarily due to an increase in average long-term FHLB advances. Average long-term FHLB advances for the second quarter of 2017 were $6.5 billion, compared to $4.2 billion for the second quarter of 2016, an increase of 55%, and for the six months ended June 30, 2017 were $6.2 billion, compared to $4.0 billion for the six months ended June 30, 2016, an increase of 53%. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 9% for the second quarter of 2017, compared to 7% for the second quarter of 2016, and were 9% of total average interest-bearing liabilities for the six months ended June 30, 2017, compared to 7% for the six months ended June 30, 2016. The average cost of long-term FHLB advances was 1.50% and 1.59% for the second quarter of 2017 and 2016, and was 1.47% and 1.61% for the six months ended June 30, 2017 and 2016, respectively.

At June 30, 2017, the carrying value of unsecured senior notes was $893.9 million, compared to $397.6 million at June 30, 2016. We issued new senior notes in June 2017. Interest expense on our fixed-rate senior notes was $3.5 million and $6.0 million for the quarter and six months ended June 30, 2017, compared to $2.6 million and $5.1 million for the quarter and six months ended June 30, 2016, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs. The increases in interest expense were due to the issuance of new senior notes in June 2017.

At June 30, 2017, the carrying value of unsecured subordinated notes totaled $776.9 million. The subordinated notes were issued in August 2016 and February 2017. Interest expense on our fixed-rate subordinated notes for the quarter and six months ended June 30, 2017 was $9.1 million and $16.0 million, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs. There was no interest expense on subordinated notes for the quarter and six months ended June 30, 2016.

### *Provision for Loan Losses*

The provision for loan losses was $23.9 million for the second quarter of 2017, compared to $14.2 million for the second quarter of 2016, and was $33.0 million for the six months ended June 30, 2017, compared to $18.7 million for the six months ended June 30, 2016. The provision for loan losses is related primarily to growth in loans outstanding, including an increase in the utilization rate of business lines of credit in the second quarter of 2017, 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Investment management fees | $ 68,819 | $ 55,168 | $ 129,714 | $ 107,928 |
| Brokerage and investment fees | 6,965 | 7,230 | 15,004 | 15,090 |
| Trust fees | 3,448 | 2,991 | 6,650 | 5,976 |
| Foreign exchange fee income | 7,081 | 5,244 | 12,942 | 10,562 |
| Deposit fees | 5,655 | 5,122 | 11,027 | 10,080 |
| Loan and related fees | 3,375 | 3,498 | 6,641 | 6,738 |
| Loan servicing fees, net | 3,577 | 3,512 | 6,348 | 7,261 |
| Gain on sale of loans | 841 | 822 | 4,205 | 2,225 |
| Gain (loss) on investment securities, net | (602) | (187) | (2,037) | 3,081 |
| Income from investments in life insurance | 9,538 | 9,513 | 19,173 | 18,539 |
| Other income | 675 | 544 | 1,164 | 1,227 |
| Total noninterest income | $ 109,372 | $ 93,457 | $ 210,831 | $ 188,707 |

Noninterest income for the quarter and six months ended June 30, 2017 was $109.4 million and $210.8 million, compared to $93.5 million and $188.7 million for the quarter and six months ended June 30, 2016, respectively, an increase of $15.9 million, or 17%, for the quarter and an increase of $22.1 million, or 12%, for the six months. The increases in noninterest income were primarily due to increases in investment management fees and foreign exchange fee income, partially offset by net losses on the sales of investment securities.

***Wealth Management Fees***

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

*Investment management fees.* We provide traditional portfolio management and customized client portfolios through First Republic Investment Management, Inc. ("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. Investment management fees for the quarter and six months ended June 30, 2017 were $68.8 million and $129.7 million, compared to $55.2 million and $107.9 million for the quarter and six months ended June 30, 2016, respectively, a 25% increase for the quarter and a 20% increase for the six months. The increases in investment management fees were due to an increase in AUM from the addition of assets from existing and new clients and market appreciation. FRIM's AUM were $47.5 billion at June 30, 2017, compared to $38.3 billion at June 30, 2016, an increase of 24%. 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 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.* We perform brokerage and investment activities for clients through First Republic Securities Company, LLC ("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. Brokerage and investment fees for the quarter and six months ended June 30, 2017 were $7.0 million and $15.0 million, compared to $7.2 million and $15.1 million for the quarter and six months ended June 30, 2016. Such fees vary based on the level and mix of AUA, conditions in the equity markets, level of sales of insurance and annuity products, and our ability to attract new clients. At June 30, 2017, we held $39.1 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $30.3 billion at June 30, 2016, an increase of 29%.

*Trust fees.* First Republic Trust Company, a division of the Bank, and First Republic Trust Company of Delaware LLC ("FRTC Delaware") (collectively, 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. Trust fees were $3.4 million and $6.7 million for the quarter and six months ended June 30, 2017, compared to $3.0 million and $6.0 million for the quarter and six months ended June 30, 2016, respectively, a 15% increase for the quarter, and an 11% increase for the six months. The increases were primarily due to an increase in assets under custody or administration from existing and new clients. At June 30, 2017, assets under custody or administration were $8.8 billion, compared to $7.3 billion at June 30, 2016, an increase of 22%. 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 foreign exchange fee income of $7.1 million and $12.9 million for the quarter and six months ended June 30, 2017, compared to $5.2 million and $10.6 million for the quarter and six months ended June 30, 2016, respectively, an increase of 35% for the quarter and an increase of 23% for the six months. 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.

***Other Noninterest Income***

*Deposit fees.* We earn fees from our clients for deposit services. Deposit fees were $5.7 million and $11.0 million for the quarter and six months ended June 30, 2017, compared to $5.1 million and $10.1 million for the quarter and six months ended June 30, 2016, respectively, an increase of 10% for the quarter and an increase of 9% for the six months. The increases in deposit fees were primarily driven by volume of activity from both existing and new clients and growth in overall deposits.

*Loan and related fees.* Loan and related fee income was $3.4 million and $6.6 million for the quarter and six months ended June 30, 2017, compared to $3.5 million and $6.7 million for the quarter and six months ended June 30, 2016, respectively. 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 $730,000 and $1.4 million for the quarter and six months ended June 30, 2017, compared to $1.5 million and $2.5 million for the quarter and six months ended June 30, 2016, respectively.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Contractually specified servicing fees | $ 7,464 | $ 6,644 | $ 14,869 | $ 13,223 |
| Amortization expense | (3,887) | (3,132) | (8,521) | (5,962) |
| Loan servicing fees, net | $ 3,577 | $ 3,512 | $ 6,348 | $ 7,261 |

Contractual servicing fees were $7.5 million and $14.9 million for the quarter and six months ended June 30, 2017, compared to $6.6 million and $13.2 million for the quarter and six months ended June 30, 2016, respectively, an increase of 12% for both the quarter and the six months. The increases were primarily due to the growth in the servicing portfolio. The average servicing portfolio for the second quarter of 2017 was $11.8 billion, compared to $10.5 billion for the same period a year ago, an increase of 12%, and for the six months ended June 30, 2017 was $11.7 billion, compared to $10.5 billion for the same period a year ago, an increase of 12%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for both the second quarter of 2017 and 2016 and for both the six months ended June 30, 2017 and 2016.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the second quarter of 2017, the overall annualized repayment speed experienced on loans serviced was 15%, compared to 18% for the second quarter of 2016. The overall annualized repayment speed experienced on loans serviced was 15% for both the six months ended June 30, 2017 and 2016. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release valuation allowance, if any, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

*Gain on sale of loans.* The net gain on the sale of $439.8 million of loans was $841,000 (19 basis points on the loans sold) for the second quarter of 2017, compared to net gains for the second quarter of 2016 of $822,000 on loan sales of $920.8 million (9 basis points on the loans sold), and the net gain on the sale of $1.1 billion of loans was $4.2 million (39 basis points on the loans sold) for the six months ended June 30, 2017, compared to net gains of $2.2 million on loan sales of $1.4 billion (16 basis points on the loans sold) for the six months ended June 30, 2016. The higher level of gain on sales for the second quarter of 2017 and for the six months ended June 30, 2017 was the result of higher margins, partially offset by a lower volume of loans sold. The net gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

*Gain (loss) on investment securities, net.* Net loss on investment securities was $602,000 for the second quarter of 2017, compared to $187,000 for the second quarter of 2016. The net loss was $2.0 million for the six months ended June 30, 2017, compared to a net gain of $3.1 million for the six months ended June 30, 2016. The gain from sales of investments during the six months ended June 30, 2016 was primarily due to the repositioning of a modest portion of the Bank's investment portfolio. The gain or loss on investment securities varies based on the amount and type of investments sold and market conditions.

*Income from investments in life insurance.* Income from investments in bank-owned life insurance was $9.5 million and $19.2 million for the quarter and six months ended June 30, 2017, compared to $9.5 million and $18.5 million for the quarter and six months ended June 30, 2016, respectively. The slight increase for the six months ended June 30, 2017 was due to higher average balances of investments in life insurance. The book value of this portfolio of tax-exempt investments was $1.3 billion at June 30, 2017, compared to $1.2 billion at June 30, 2016.

***Noninterest Expense***

The following table presents noninterest expense:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Salaries and employee benefits | $ 221,929 | $ 183,281 | $ 443,836 | $ 369,198 |
| Information systems | 51,053 | 36,170 | 96,823 | 71,207 |
| Occupancy | 33,631 | 28,269 | 66,997 | 55,917 |
| Professional fees | 12,236 | 12,105 | 23,401 | 25,476 |
| FDIC assessments | 13,601 | 9,800 | 26,751 | 19,400 |
| Advertising and marketing | 11,560 | 8,257 | 20,586 | 15,447 |
| Amortization of intangibles | 5,293 | 6,386 | 10,860 | 13,047 |
| Other expenses | 47,797 | 35,814 | 86,385 | 69,584 |
| Total noninterest expense | $ 397,100 | $ 320,082 | $ 775,639 | $ 639,276 |

Noninterest expense for the quarter and six months ended June 30, 2017 was $397.1 million and $775.6 million, compared to $320.1 million and $639.3 million for the quarter and six months ended June 30, 2016, respectively, an increase of $77.0 million, or 24%, for the quarter and an increase of $136.4 million, or 21%, for the six months. The increases in noninterest expense were primarily due to higher salaries and employee benefits, investments in information systems and higher occupancy costs, partially offset by lower amortization of intangibles. The increased expenses were primarily attributable to continued investments in the expansion of the franchise.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $31.7 million and $57.1 million for the quarter and six months ended June 30, 2017, compared to $27.9 million and $47.6 million for the quarter and six months ended June 30, 2016, respectively, an increase of 13% for the quarter and an increase of 20% for the six months. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs on our balance sheet and are amortized to interest income over the contractual life of the loans.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 61.9% for the second quarter of 2017, compared to 59.8% for the second quarter of 2016, and was 62.4% for the six months ended June 30, 2017, compared to 60.6% for the six months ended June 30, 2016. The increases in the efficiency ratio were primarily attributable to increased expenses related to continued investments in the expansion of the franchise, including higher salaries and employee benefits, investments in information systems and higher occupancy costs.

*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 infrastructure. Salaries and employee benefit expenses were $221.9 million and $443.8 million for the quarter and six months ended June 30, 2017, compared to $183.3 million and $369.2 million for the quarter and six months ended June 30, 2016, respectively, a 21% increase for the quarter and a 20% increase for the six months. The increases were primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities. At June 30, 2017, we had 3,881 full-time equivalent employees, including temporary employees and independent contractors, a 16% increase from 3,349 at June 30, 2016.

*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 $51.1 million and $96.8 million for the quarter and six months ended June 30, 2017, compared to $36.2 million and $71.2 million for the quarter and six months ended June 30, 2016, respectively, a 41% increase for the quarter, and a 36% increase for the six months. The increases in information systems costs were 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 $33.6 million and $67.0 million for the quarter and six months ended June 30, 2017, compared to $28.3 million and $55.9 million for the quarter and six months ended June 30, 2016, respectively, a 19% increase for the quarter and a 20% increase for the six months. The increases were 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 $12.2 million and $23.4 million for the quarter and six months ended June 30, 2017, compared to $12.1 million and $25.5 million for the quarter and six months ended June 30, 2016, respectively, a slight increase for the quarter and a decrease of 8% for the six months. The decrease in professional fees for the six months ended June 30, 2017 was primarily due to transitioning from consultant spending to permanent staffing for certain regulatory compliance activities.

*FDIC assessments.* FDIC assessments were $13.6 million and $26.8 million for the quarter and six months ended June 30, 2017, compared to $9.8 million and $19.4 million for the quarter and six months ended June 30, 2016, respectively, a 39% increase for the quarter and a 38% increase for the six months. The increases were primarily due to the new FDIC assessment surcharge, which was 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 $11.6 million and $20.6 million for the quarter and six months ended June 30, 2017, compared to $8.3 million and $15.4 million for the quarter and six months ended June 30, 2016, respectively, an increase of 40% for the quarter and an increase of 33% for the six months. These expenses vary based on the number of marketing initiatives, level of advertising costs and costs associated with holding client events to support our growth. The quarter and six months ended June 30, 2017 also include expenses related to investing in Gradifi, Inc., which we acquired in December 2016.

*Amortization of intangibles.* Amortization expense was $5.3 million and $10.9 million for the quarter and six months ended June 30, 2017, compared to $6.4 million and $13.0 million for the quarter and six months ended June 30, 2016, respectively, a 17% decrease for both the quarter and the six months. Amortization expense decreased due to the accelerated method of recording intangible amortization.

*Other expenses.* Other expenses were $47.8 million and $86.4 million for the quarter and six months ended June 30, 2017, compared to $35.8 million and $69.6 million for the quarter and six months ended June 30, 2016, respectively, an increase of 33% for the quarter and an increase of 24% for the six months. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, cash management, custody and clearing, and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and AUM and AUA, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

| | **Quarter Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Deposit client related costs | $ 10,540 | $ 6,027 | $ 17,981 | $ 11,836 |
| Travel and entertainment | 5,469 | 4,304 | 10,117 | 7,588 |
| Loan related costs | 4,835 | 4,062 | 9,324 | 7,398 |
| Insurance expense | 2,779 | 2,380 | 5,643 | 4,750 |
| Subscriptions | 3,777 | 2,520 | 6,374 | 5,166 |
| Recruiting fees | 1,678 | 1,925 | 3,992 | 3,584 |
| Other operating expenses | 18,719 | 14,596 | 32,954 | 29,262 |
| Total other expenses | $ 47,797 | $ 35,814 | $ 86,385 | $ 69,584 |

### *Provision for Income Taxes*

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities. The Bank's effective tax rate for the second quarter of 2017 was 15.3%, compared to 17.8% for the second quarter of 2016. The Bank's effective tax rate for the six months ended June 30, 2017 was 16.2%, compared to 18.7% for the six months ended June 30, 2016. The effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and the amount of excess tax benefits. The decrease in the effective tax rate in the second quarter of 2017 resulted from increased tax benefits from vesting of share-based awards. The decrease in the effective tax rate for the six months ended June 30, 2017 resulted primarily from increased exercise and vesting of share-based awards, and from the continued increase in tax-advantaged investments.

**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) FRIM; (ii) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"); (iii) 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 offering sales of insurance and annuity products to clients and managing the Bank's investment portfolio and earns a deposit earnings credit for client deposit accounts that are maintained at the Bank, including sweep deposit accounts. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 14 to "Item 1. Financial Statements."

*Commercial Banking*

Net interest income for Commercial Banking for the quarter and six months ended June 30, 2017 was \$515.0 million and \$999.2 million, compared to \$427.3 million and \$839.7 million for the quarter and six months ended June 30, 2016, respectively, an increase of 21% for the quarter and an increase of 19% for the six months primarily due to increases in interest-earning assets.

The provision for loan losses for Commercial Banking for the quarter and six months ended June 30, 2017 was \$23.9 million and \$33.0 million, compared to \$14.2 million and \$18.7 million for the quarter and six months ended June 30, 2016, respectively. The provision for loan losses is related primarily to growth in loans outstanding, including an increase in the utilization rate of business lines of credit in the second quarter of 2017, 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 \$22.8 million and \$46.1 million for the quarter and six months ended June 30, 2017, compared to \$22.6 million and \$48.6 million for the quarter and six months ended June 30, 2016, respectively, a slight increase for the quarter and a decrease of 5% for the six months. The decrease for the six months was primarily due to a net loss on investment securities, compared to a modest net gain on investment securities in 2016.

Noninterest expense for Commercial Banking was \$321.6 million and \$626.0 million for the quarter and six months ended June 30, 2017, compared to \$256.0 million and \$510.9 million for the quarter and six months ended June 30, 2016, respectively, an increase of 26% for the quarter and an increase of 23% for the six months. The increases were primarily due to higher salaries and employee benefits, investments in information systems and higher occupancy costs. The increases in these expenses were primarily attributable to continued investments in the expansion of the franchise.

Provision for income taxes for Commercial Banking for the quarter and six months ended June 30, 2017 was \$22.7 million and \$52.7 million, compared to \$27.7 million and \$59.3 million for the quarter and six months ended June 30, 2016, respectively, a decrease of 18% for the quarter and a decrease of 11% for the six months. The decreases in the provision for income taxes resulted from increases in tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and excess tax benefits from share-based awards.

*Wealth Management*

Net interest income for Wealth Management was $17.0 million and $32.5 million for the quarter and six months ended June 30, 2017, compared to $14.4 million and $26.3 million for the quarter and six months ended June 30, 2016, respectively, an increase of 18% for the quarter and an increase of 24% for the six months. 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 Wealth Management client deposits.

Wealth Management client deposits totaled $7.3 billion and $6.0 billion at June 30, 2017 and 2016, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $7.2 billion and $5.5 billion for the second quarter of 2017 and 2016, respectively, and averaged $7.1 billion and $5.3 billion for six months ended June 30, 2017 and 2016, 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 0.94% for the second quarter of 2017, compared to 1.06% for the second quarter of 2016, and 0.92% for the six months ended June 30, 2017, compared to 0.99% for the six months ended June 30, 2016.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's holistic approach to generating a full relationship with our clients is 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 was 3.16% and 3.21% for the second quarter of 2017 and 2016, respectively, and was 3.14% and 3.20% for the six months ended June 30, 2017 and 2016, respectively. Using this overall net interest margin and the average Wealth Management deposits for each respective period, the Wealth Management deposits, on a consolidated basis, contributed net interest income of approximately $57.0 million for the second quarter of 2017 and $43.7 million for the second quarter of 2016, and $110.8 million for the six months ended June 30, 2017 and $84.9 million for the six months ended June 30, 2016.

Noninterest income for Wealth Management was $94.7 million and $180.7 million for the quarter and six months ended June 30, 2017, compared to $77.0 million and $151.7 million for the quarter and six months ended June 30, 2016, respectively, an increase of 23% for the quarter and an increase of 19% for the six months. The increases were primarily due to higher investment management fees. Fees and other revenues increased as a result of an increase in AUM and AUA due to growth in services offered to Bank clients, the addition of new clients, the hiring of new personnel, who also brought in additional clients, and market appreciation.

Noninterest expense for Wealth Management was $83.7 million and $165.5 million for the quarter and six months ended June 30, 2017, compared to $70.1 million and $140.0 million for the quarter and six months ended June 30, 2016, respectively, an increase of 19% for the quarter and an increase of 18% for the six months. The increases were primarily due to higher incentive compensation levels due to growth in our business. 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 $95.4 billion at June 30, 2017, compared to $75.8 billion a year ago, an increase of 26%. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, including the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

| ($ in millions) | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| First Republic Investment Management | $ 47,530 | $ 44,573 | $ 41,154 | $ 40,103 | $ 38,288 |
| Brokerage and investment: | | | | | |
| Brokerage | 37,658 | 35,397 | 32,218 | 31,058 | 28,644 |
| Money market mutual funds | 1,402 | 1,795 | 2,048 | 1,902 | 1,610 |
| Total brokerage and investment | 39,060 | 37,192 | 34,266 | 32,960 | 30,254 |
| Trust Company: | | | | | |
| Trust | 4,276 | 3,929 | 3,754 | 3,171 | 3,434 |
| Custody | 4,559 | 4,438 | 4,406 | 3,954 | 3,835 |
| Total Trust Company | 8,835 | 8,367 | 8,160 | 7,125 | 7,269 |
| Total AUM and AUA | $ 95,425 | $ 90,132 | $ 83,580 | $ 80,188 | $ 75,811 |

The following table presents changes 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.

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in millions) | 2017 | 2016 | 2017 | 2016 |
| **AUM and AUA:** | | | | |
| Beginning balance | $ 90,132 | $ 73,421 | $ 83,580 | $ 72,293 |
| Net client flow | 2,877 | 1,465 | 5,685 | 2,297 |
| Market appreciation | 2,416 | 925 | 6,160 | 1,221 |
| Ending balance | $ 95,425 | $ 75,811 | $ 95,425 | $ 75,811 |

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

| | % of AUM | | | | |
|---|---|---|---|---|---|
| Investment Type | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Equities | 47% | 47% | 45% | 44% | 44% |
| Fixed income | 33% | 32% | 33% | 33% | 33% |
| Alternative investments | 15% | 15% | 15% | 16% | 16% |
| Cash and cash equivalents | 5% | 6% | 7% | 7% | 7% |
| Total | 100% | 100% | 100% | 100% | 100% |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| First Republic Investment Management | 0.60% | 0.59% | 0.58% | 0.59% |
| Brokerage and investment: | | | | |
| Brokerage | 0.06% | 0.08% | 0.06% | 0.09% |
| Money market mutual funds | 0.40% | 0.30% | 0.44% | 0.20% |
| Total brokerage and investment | 0.07% | 0.10% | 0.08% | 0.10% |
| Trust Company: | | | | |
| Trust | 0.25% | 0.25% | 0.23% | 0.24% |
| Custody | 0.08% | 0.09% | 0.09% | 0.10% |
| Total Trust Company | 0.16% | 0.16% | 0.16% | 0.17% |
| Total | 0.34% | 0.35% | 0.34% | 0.35% |

## Balance Sheet Analysis

### *Investments*

The following table presents the investment portfolio:

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **Available-for-sale:** | | |
| U.S. Treasury securities | $ 110,444 | $ 111,029 |
| Agency residential MBS | 40,946 | 48,229 |
| Other residential MBS | 6,595 | 7,662 |
| Agency commercial MBS | 2,028,110 | 1,790,897 |
| Securities of U.S. states and political subdivisions—taxable | 47,450 | 47,493 |
| Marketable equity securities | 2,378 | 1,948 |
| Total | $ 2,235,923 | $ 2,007,258 |
| **Held-to-maturity:** | | |
| U.S. Government-sponsored agency securities | $ 1,200,815 | $ 993,179 |
| Agency residential MBS | 2,800,768 | 2,689,035 |
| Other residential MBS | 1,750 | 1,875 |
| Agency commercial MBS | 2,601,492 | 2,385,928 |
| Securities of U.S. states and political subdivisions: | | |
| Tax-exempt municipal securities | 7,835,442 | 6,876,777 |
| Tax-exempt nonprofit debentures | 149,105 | 150,322 |
| Taxable municipal securities | 53,030 | 53,041 |
| Total | $ 14,642,402 | $ 13,150,157 |

The total combined investment securities portfolio represented 21% of total assets at June 30, 2017 and December 31, 2016. During the six months ended June 30, 2017, we continued to purchase securities considered HQLA, including agency commercial MBS, agency residential 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.

The average duration of the $2.2 billion available-for-sale portfolio was 1.5 years at June 30, 2017, compared to 1.8 years at December 31, 2016. The average duration of the $14.6 billion held-to-maturity portfolio was 8.4 years at June 30, 2017, compared to 8.8 years at December 31, 2016.

At June 30, 2017, 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 $14.8 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 the recorded investment in the Bank's loan portfolio and allowance for loan losses:

| ($ in millions) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Single family (1-4 units) | $ 29,079 | $ 26,267 |
| Home equity lines of credit | 2,682 | 2,635 |
| Multifamily (5+ units) | 7,453 | 6,676 |
| Commercial real estate | 5,810 | 5,465 |
| Single family construction | 523 | 495 |
| Multifamily/commercial construction | 988 | 919 |
| Total real estate mortgages | 46,535 | 42,457 |
| Business | 7,982 | 6,872 |
| Stock secured | 994 | 823 |
| Other secured | 837 | 724 |
| Unsecured | 1,412 | 1,132 |
| Total other loans | 11,225 | 9,551 |
| Total loans | 57,760 | 52,008 |
| Less: | | |
| Allowance for loan losses | (338) | (306) |
| Loans, net | 57,422 | 51,702 |
| Single family loans held for sale | 202 | 407 |
| Total | $ 57,624 | $ 52,109 |

The following table presents an analysis of the recorded investment in our loan portfolio at June 30, 2017, including single family loans held for sale, by category and major geographic location:

| ($ in millions) | San Francisco Bay Area | New York Metro Area | Los Angeles Area | Boston Area | San Diego Area | Other California Areas | Other | Total | % |
|---|---|---|---|---|---|---|---|---|---|
| Single family (1-4 units) | $ 11,876 | $ 6,852 | $ 4,623 | $ 2,811 | $ 824 | $ 295 | $ 2,000 | $ 29,281 | 50% |
| Home equity lines of credit | 1,082 | 505 | 472 | 333 | 75 | 17 | 198 | 2,682 | 5% |
| Multifamily (5+ units) | 3,687 | 1,549 | 867 | 197 | 515 | 163 | 475 | 7,453 | 13% |
| Commercial real estate | 2,573 | 1,210 | 913 | 201 | 149 | 155 | 609 | 5,810 | 10% |
| Business | 3,768 | 1,384 | 1,342 | 550 | 264 | 20 | 654 | 7,982 | 14% |
| Construction | 419 | 258 | 500 | 50 | 65 | 20 | 199 | 1,511 | 3% |
| Stock and other secured | 469 | 431 | 211 | 228 | 26 | 3 | 463 | 1,831 | 3% |
| Unsecured | 373 | 381 | 322 | 153 | 59 | 15 | 109 | 1,412 | 2% |
| Total | $ 24,247 | $ 12,570 | $ 9,250 | $ 4,523 | $ 1,977 | $ 688 | $ 4,707 | $ 57,962 | 100% |
| % by location at June 30, 2017 | 42% | 22% | 16% | 8% | 3% | 1% | 8% | 100% | |
| % by location at December 31, 2016 | 42% | 21% | 16% | 8% | 4% | 1% | 8% | 100% | |

At June 30, 2017 and December 31, 2016, approximately 51% and 52%, respectively, of total loans (based on recorded investment) 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) adjustable-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; (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 recorded investment in our loan portfolio at June 30, 2017, including single family loans held for sale, by rate type:

| | Adjustable Rate | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ($ in millions) | Prime | LIBOR | COFI | Other | Total | Hybrid Rate | Fixed Rate | Total |
| Single family (1-4 units) | $ 253 | $ 3,081 | $ 2,859 | $ 106 | $ 6,299 | $ 20,413 | $ 2,569 | $ 29,281 |
| Home equity lines of credit | 2,665 | 8 | — | — | 2,673 | — | 9 | 2,682 |
| Multifamily (5+ units) | 275 | 326 | 1,810 | 8 | 2,419 | 3,233 | 1,801 | 7,453 |
| Commercial real estate | 220 | 380 | 530 | — | 1,130 | 2,206 | 2,474 | 5,810 |
| Business | 3,060 | 1,216 | 12 | — | 4,288 | 205 | 3,489 | 7,982 |
| Construction | 541 | 118 | — | — | 659 | — | 852 | 1,511 |
| Stock and other secured | 457 | 1,269 | — | — | 1,726 | 4 | 101 | 1,831 |
| Unsecured | 191 | 73 | — | — | 264 | — | 1,148 | 1,412 |
| Total | $ 7,662 | $ 6,471 | $ 5,211 | $ 114 | $ 19,458 | $ 26,061 | $ 12,443 | $ 57,962 |
| % by rate type at June 30, 2017 | 13% | 12% | 9% | 0% | 34% | 45% | 21% | 100% |
| % by rate type at December 31, 2016 | 13% | 12% | 9% | 0% | 34% | 45% | 21% | 100% |

At June 30, 2017, included in the hybrid-rate and fixed-rate loan portfolios are $2.1 billion of loans that either (1) mature within one year; (2) are within one year of adjusting from the initial fixed-rate period; or (3) are committed for sale.

*Single Family*

Our single family loans include loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At June 30, 2017, approximately $20.3 billion, or 69%, of the unpaid principal balance of our single family loan portfolio, including loans held for sale, fully and evenly amortize until maturity following an initial interest-only period of generally ten years. Such loans were $18.8 billion, or 71%, of our single family loan portfolio, at December 31, 2016. At June 30, 2017, loans of this type had a weighted average loan-to-value ("LTV") of approximately 57%, based on appraised value at the time of origination, and had credit scores averaging 760 at origination. At June 30, 2017, interest-only home loans with an LTV at origination of more than 80% comprised less than 1% of the unpaid principal balance of our single family loan portfolio, including loans held for sale.

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

| | June 30, 2017 | |
|---|---|---|
| ($ in thousands) | Unpaid Principal Balance | % of Total |
| **LTV at Origination** | | |
| Less than or equal to 60% | $ 14,685,529 | 50.3% |
| Greater than 60% to 70% | 9,878,702 | 33.8% |
| Greater than 70% to 80% | 4,594,406 | 15.7% |
| Greater than 80% | 69,821 | 0.2% |
| Total | $ 29,228,458 | 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 June 30, 2017, approximately 37% of HELOCs are in first lien position, and approximately 49% 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:

| | June 30, 2017 | | |
|---|---|---|---|
| ($ in thousands) | Unpaid Principal Balance | Total Commitment | % of Unpaid Principal Balance |
| **CLTV at Origination** | | | |
| Less than or equal to 60% | $ 1,592,561 | $ 4,552,610 | 59.7% |
| Greater than 60% to 70% | 777,446 | 1,846,473 | 29.1% |
| Greater than 70% to 80% | 294,050 | 663,443 | 11.0% |
| Greater than 80% | 5,113 | 12,367 | 0.2% |
| Total | $ 2,669,170 | $ 7,074,893 | 100.0% |

*Multifamily*

At June 30, 2017 and December 31, 2016, the unpaid principal balance of multifamily loans was $7.5 billion and $6.7 billion, respectively. At June 30, 2017 and December 31, 2016, included in this portfolio were $3.1 billion and $2.7 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2017, for multifamily loans that allow for interest-only payments, the weighted average LTV was 51% based on the appraised value at the time of origination. Additionally, at June 30, 2017 and December 31, 2016, we had committed to lend $305.5 million and $279.0 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance related to these commitments at June 30, 2017 and December 31, 2016 was $104.4 million and $98.2 million, respectively, representing 1.4% and 1.5% of the portfolio at June 30, 2017 and December 31, 2016, respectively; these lines of credit also allow for interest-only payments for an initial period.

*Commercial Real Estate*

At June 30, 2017 and December 31, 2016, the unpaid principal balance of commercial real estate loans was $5.8 billion and $5.5 billion, respectively. At June 30, 2017 and December 31, 2016, included in this portfolio were $1.6 billion and $1.5 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2017, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 44% based on the appraised value at the time of origination. Additionally, at June 30, 2017 and December 31, 2016, we had committed to lend $321.9 million and $272.1 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance related to these commitments at June 30, 2017 and December

31, 2016 was $113.6 million and $102.3 million, respectively, representing 1.9% of the portfolio at June 30, 2017 and December 31, 2016; these lines of credit also allow for interest-only payments for an initial period.

*Business*

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

| ($ in thousands) | June 30, 2017 Recorded Investment | June 30, 2017 Total Commitment | December 31, 2016 Recorded Investment | December 31, 2016 Total Commitment |
|---|---|---|---|---|
| Private Equity/Venture Capital Funds | $ 3,099,513 | $ 7,665,965 | $ 2,097,176 | $ 6,903,350 |
| Schools/Non-profit Organizations | 2,793,704 | 3,508,899 | 2,617,688 | 3,271,435 |
| Investment Firms | 345,950 | 798,443 | 441,335 | 1,010,082 |
| Entertainment Industry | 355,580 | 713,368 | 340,236 | 692,474 |
| Real Estate Related Entities | 305,076 | 670,058 | 343,658 | 693,183 |
| Professional Service Firms | 188,916 | 406,472 | 199,647 | 404,438 |
| Aviation/Marine | 238,435 | 243,181 | 268,484 | 275,920 |
| Vineyards/Wine | 164,193 | 209,631 | 148,925 | 198,491 |
| Clubs and Membership Organizations | 161,575 | 204,795 | 160,117 | 202,832 |
| Other | 328,667 | 584,507 | 255,061 | 488,611 |
| Total | $ 7,981,609 | $ 15,005,319 | $ 6,872,327 | $ 14,140,816 |

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

| | Lines of Credit | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2017 | | | December 31, 2016 | | |
| ($ in thousands) | Unpaid Principal Balance | Total Commitment | Utilization Percentage | Unpaid Principal Balance | Total Commitment | Utilization Percentage |
| Private Equity/Venture Capital Funds | $ 2,949,454 | $ 7,512,573 | 39.3% | $ 1,946,118 | $ 6,750,505 | 28.8% |
| Schools/Non-profit Organizations | 202,093 | 914,089 | 22.1% | 172,970 | 823,147 | 21.0% |
| Entertainment Industry | 356,453 | 712,400 | 50.0% | 340,691 | 691,108 | 49.3% |
| Investment Firms | 217,707 | 669,805 | 32.5% | 271,169 | 839,390 | 32.3% |
| Real Estate Related Entities | 188,381 | 551,608 | 34.2% | 193,100 | 540,186 | 35.7% |
| Professional Service Firms | 64,458 | 279,649 | 23.0% | 74,048 | 277,723 | 26.7% |
| Vineyards/Wine | 40,416 | 85,415 | 47.3% | 40,771 | 89,938 | 45.3% |
| Clubs and Membership Organizations | 13,077 | 55,953 | 23.4% | 8,721 | 51,033 | 17.1% |
| Aviation/Marine | 7,223 | 11,510 | 62.8% | 4,264 | 10,910 | 39.1% |
| Other | 140,003 | 389,157 | 36.0% | 99,304 | 331,216 | 30.0% |
| Total | $ 4,179,265 | $ 11,182,159 | 37.4% | $ 3,151,156 | $ 10,405,156 | 30.3% |

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

| | Term Loans | |
|---|---|---|
| | Unpaid Principal Balance | |
| ($ in thousands) | June 30, 2017 | December 31, 2016 |
| Schools/Non-profit Organizations | $ 2,594,810 | $ 2,448,288 |
| Aviation/Marine | 231,671 | 265,010 |
| Private Equity/Venture Capital Funds | 153,392 | 152,845 |
| Clubs and Membership Organizations | 148,842 | 151,798 |
| Investment Firms | 128,638 | 170,691 |
| Professional Service Firms | 126,823 | 126,716 |
| Vineyards/Wine | 124,216 | 108,554 |
| Real Estate Related Entities | 118,450 | 152,998 |
| Entertainment Industry | 968 | 1,365 |
| Other | 195,350 | 157,395 |
| Total | $ 3,823,160 | $ 3,735,660 |

*Loan Originations*

Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans. At June 30, 2017, approximately 37% of our total loans, including loans held for sale, were currently adjustable and reprice with indices or mature within one year. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through June 30, 2017, we have originated approximately $183 billion of loans, of which approximately $31 billion have been sold to investors.

Total loan originations for the quarter and six months ended June 30, 2017 were $7.3 billion and $12.9 billion, compared to $6.5 billion and $11.3 billion for the quarter and six months ended June 30, 2016, respectively, an increase of 12% for the quarter and an increase of 14% for the six months. The increases were due to increases in originations of single family, construction and business loans. The volume and type of loan originations depend on the level of interest rates, the demand for home loans in our markets and other economic conditions.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2017 | 2016 | 2017 | 2016 |
| Single family (1-4 units) | $ 3,053,014 | $ 2,933,128 | $ 5,569,688 | $ 4,745,945 |
| Home equity lines of credit | 424,223 | 482,546 | 838,546 | 908,278 |
| Multifamily (5+ units) | 646,538 | 603,016 | 1,055,484 | 1,233,032 |
| Commercial real estate | 336,054 | 355,339 | 731,623 | 596,384 |
| Construction | 496,813 | 252,020 | 735,614 | 451,386 |
| Business | 1,654,184 | 1,248,255 | 2,606,612 | 1,905,461 |
| Stock and other secured | 450,674 | 368,242 | 934,196 | 866,213 |
| Unsecured | 236,884 | 266,480 | 467,758 | 603,974 |
| Total loans originated | $ 7,298,384 | $ 6,509,026 | $ 12,939,521 | $ 11,310,673 |

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

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **LTVs for New Originations** | **June 30, 2017** | **March 31, 2017** | **December 31, 2016** | **September 30, 2016** | **June 30, 2016** |
| Single family (1-4 units) | 59% | 56% | 55% | 56% | 56% |
| Home equity lines of credit [1] | 51% | 52% | 51% | 51% | 54% |
| Multifamily (5+ units) | 50% | 50% | 50% | 51% | 49% |
| Commercial real estate | 43% | 50% | 47% | 48% | 50% |
| Construction | 55% | 54% | 54% | 51% | 57% |

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

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

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

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **Weighted Average Credit Scores** | **June 30, 2017** | **March 31, 2017** | **December 31, 2016** | **September 30, 2016** | **June 30, 2016** |
| Single family (1-4 units) | 765 | 765 | 765 | 763 | 755 |
| Home equity lines of credit | 764 | 765 | 770 | 765 | 758 |

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

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **Purchase and Refinance Composition** | **June 30, 2017** | **March 31, 2017** | **December 31, 2016** | **September 30, 2016** | **June 30, 2016** |
| Purchase loans | 55% | 40% | 37% | 42% | 44% |
| Refinance loans | 45% | 60% | 63% | 58% | 56% |
| 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. 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:

| Portfolio LTVs | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| Single family (1-4 units) [(1)] | 58% | 57% | 58% | 58% | 58% |
| Home equity lines of credit [(2)] | 53% | 53% | 53% | 53% | 53% |
| Multifamily (5+ units) | 52% | 53% | 53% | 54% | 54% |
| Commercial real estate | 49% | 49% | 49% | 50% | 50% |
| Construction | 54% | 54% | 54% | 54% | 55% |

[(1)] Including loans held for sale.

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

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

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

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

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Nonaccrual loans: | | |
| Single family (1-4 units) | $ 21,221 | $ 24,560 |
| Home equity lines of credit | 10,076 | 10,464 |
| Multifamily (5+ units) | 3,201 | 4,516 |
| Commercial real estate | 296 | 306 |
| Business | 7,247 | 8,728 |
| Unsecured | 1,343 | 446 |
| Total nonaccrual loans | 43,384 | 49,020 |
| Other real estate owned | 1,930 | — |
| Total nonperforming assets | $ 45,314 | $ 49,020 |
| Nonperforming assets to total assets | 0.06% | 0.07% |
| Restructured accruing loans | $ 13,001 | $ 14,278 |
| Accruing loans 90 days or more past due | $ — | $ — |

See Note 3 in Item 1. Financial Statements for information related to interest income on nonaccrual loans for the quarters ended June 30, 2017 and 2016.

Of the loans on nonaccrual status, at June 30, 2017, approximately $21.0 million were current, compared to $29.0 million at December 31, 2016.

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

***Allowance for Loan Losses***

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. 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, along with other external factors, such as competition and the legal and regulatory environment.

The provision for loan losses is related primarily to growth in loans outstanding, including an increase in the utilization rate of business lines of credit in the second quarter of 2017, 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.

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Allowance for loan losses: | | | | |
| Balance at beginning of period | $ 314,978 | $ 265,579 | $ 306,398 | $ 261,058 |
| Provision | 23,938 | 14,200 | 33,026 | 18,692 |
| Charge-offs: | | | | |
| Single family (1-4 units) | (613) | (1,024) | (1,145) | (1,024) |
| Home equity lines of credit | — | (44) | — | (44) |
| Multifamily (5+ units) | — | — | — | — |
| Commercial real estate | — | — | — | — |
| Single family construction | — | — | — | — |
| Multifamily/commercial construction | — | — | — | — |
| Business | (8) | (25) | (15) | (25) |
| Stock secured | — | — | — | — |
| Other secured | — | — | — | — |
| Unsecured | (134) | (8) | (134) | (19) |
| Total charge-offs | (755) | (1,101) | (1,294) | (1,112) |
| Recoveries: | | | | |
| Single family (1-4 units) | 6 | 3 | 7 | 7 |
| Home equity lines of credit | 21 | 26 | 47 | 52 |
| Multifamily (5+ units) | — | — | — | — |
| Commercial real estate | — | — | — | — |
| Single family construction | — | — | — | — |
| Multifamily/commercial construction | — | — | — | — |
| Business | 26 | 6 | 30 | 14 |
| Stock secured | — | — | — | — |
| Other secured | — | — | — | — |
| Unsecured | 93 | 18 | 93 | 20 |
| Total recoveries | 146 | 53 | 177 | 93 |
| Net loan charge-offs | (609) | (1,048) | (1,117) | (1,019) |
| Balance at end of period | $ 338,307 | $ 278,731 | $ 338,307 | $ 278,731 |
| Average total loans for the period | $ 55,513,447 | $ 46,361,287 | $ 54,158,529 | $ 45,360,510 |
| Total loans at period end | $ 57,760,075 | $ 47,607,606 | $ 57,760,075 | $ 47,607,606 |
| Total nonaccrual loans | $ 43,384 | $ 57,953 | $ 43,384 | $ 57,953 |
| Ratios: | | | | |
| Net charge-offs to: | | | | |
| Average total loans (annualized) | 0.00% | 0.01% | 0.00% | 0.00% |
| Allowance for loan losses to: | | | | |
| Total loans | 0.59% | 0.59% | 0.59% | 0.59% |
| Nonaccrual loans | 779.8% | 481.0% | 779.8% | 481.0% |

***Mortgage Banking Activities***

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

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Single family loans originated | $ 3,053,014 | $ 2,933,128 | $ 5,569,688 | $ 4,745,945 |
| Loans sold: | | | | |
| Flow sales: | | | | |
| Agency | $ 34,261 | $ 55,729 | $ 83,993 | $ 115,957 |
| Non-agency | 72,829 | 46,114 | 129,031 | 97,689 |
| Total flow sales | 107,090 | 101,843 | 213,024 | 213,646 |
| Bulk sales: | | | | |
| Non-agency | 332,735 | 818,920 | 872,556 | 1,184,819 |
| Total loans sold | $ 439,825 | $ 920,763 | $ 1,085,580 | $ 1,398,465 |
| Gain on sale of loans: | | | | |
| Amount | $ 841 | $ 822 | $ 4,205 | $ 2,225 |
| Gain as a percentage of loans sold | 0.19% | 0.09% | 0.39% | 0.16% |

The higher level of gain on sale of loans for the second quarter of 2017 and the six months ended June 30, 2017, compared to the same periods in 2016, was primarily the result of higher margins, partially offset by a lower volume of loans sold. The level of future loan originations, loan sales and loan repayments depends on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset/liability management strategies.

In connection with loan sales, we retain 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. We have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans for any breach of these customary representations and warranties.

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** |
| Loans serviced for others | $ 11,791,421 | $ 11,060,626 | $ 11,791,421 | $ 11,060,626 |
| Loan servicing fees, net | $ 3,577 | $ 3,512 | $ 6,348 | $ 7,261 |

Mortgage loans serviced for investors increased to $11.8 billion at June 30, 2017, from $11.1 billion at June 30, 2016, due to loan sales exceeding repayments in the servicing portfolio over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At June 30, 2017, MSRs were $61.4 million (52 basis points of loans serviced), compared to $57.2 million (52 basis points of loans serviced) at June 30, 2016.

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience on single family loans sold in the secondary market. Since our inception in 1985, we have experienced cumulative net loan losses of only $9.0 million on single family loans sold. At June 30, 2017, single family loans serviced for investors that are 90 days or more past due were $5.2 million, or 4 basis points of such loans serviced.

***Deposit Gathering***

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts, and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At June 30, 2017, our total deposits were $63.3 billion, an 8% increase from $58.6 billion at December 31, 2016, as we continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer.

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 $60.5 billion and $55.9 billion at June 30, 2017 and December 31, 2016, respectively, and represented 96% and 95% of total deposits at June 30, 2017 and December 31, 2016, respectively.

The following table presents deposits by region in which the accounts are domiciled. Our retail locations that gather deposits are designated as "Preferred Banking Offices."

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Preferred Banking Offices | | |
| Northern California | $ 11,722,085 | $ 10,943,394 |
| Metropolitan New York | 4,599,901 | 4,380,991 |
| Southern California | 2,722,587 | 2,474,720 |
| Boston | 1,174,648 | 1,110,158 |
| Subtotal | 20,219,221 | 18,909,263 |
| Preferred Banking | | |
| Northern California | 17,339,490 | 14,102,877 |
| Metropolitan New York | 8,908,582 | 8,982,844 |
| Southern California | 5,045,361 | 5,046,821 |
| Boston | 6,108,872 | 5,688,979 |
| Subtotal | 37,402,305 | 33,821,521 |
| Wealth management sweep | 4,791,345 | 4,965,145 |
| Other | 880,835 | 906,452 |
| Total deposits | $ 63,293,706 | $ 58,602,381 |

Overall, deposits in our Preferred Banking Offices grew 7% since December 31, 2016, with growth across all deposit products, including personal and business checking, savings and CD accounts. This increase is due to 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.

Preferred Banking deposits grew 11% since December 31, 2016, 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. Other deposits consist primarily of institutional and operational deposits not attributable to any specific deposit location. Wealth management sweep deposits declined 4% since December 31, 2016 due to wealth management clients electing other investment alternatives instead of maintaining cash in a brokerage or investment account.

The following table presents consumer and business deposits:

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Consumer deposits: | | |
| Checking | $ 12,827,063 | $ 13,210,132 |
| Money market checking | 3,467,344 | 3,964,624 |
| Money market savings and passbooks | 5,521,643 | 5,714,016 |
| CDs | 5,648,380 | 4,696,756 |
| | 27,464,430 | 27,585,528 |
| Business deposits: | | |
| Checking | 27,317,123 | 24,106,060 |
| Money market checking | 5,552,282 | 4,005,163 |
| Money market savings | 2,578,236 | 2,489,325 |
| CDs | 381,635 | 416,305 |
| | 35,829,276 | 31,016,853 |
| Total | $ 63,293,706 | $ 58,602,381 |

We fund a portion of our assets with CDs that have balances greater than $250,000 and that have maturities generally in excess of six months. At June 30, 2017 and December 31, 2016, our CDs having balances greater than $250,000 totaled $2.7 billion and $2.2 billion, respectively. The following table presents the maturities of our CDs greater than $250,000 in size:

| ($ in thousands) | June 30, 2017<br>Greater than $250,000 |
|---|---|
| Remaining maturity: | |
| Three months or less | $ 449,132 |
| Over three through six months | 582,761 |
| Over six through twelve months | 1,011,247 |
| Over twelve months | 705,154 |
| Total | $ 2,748,294 |
| Percent of total deposits | 4% |

At June 30, 2017 and December 31, 2016, the weighted average contractual rate paid on CDs was 1.27% and 1.20%, respectively, and the weighted average remaining maturity of CDs was 13.6 months and 15.2 months at the same respective period ends. The contractual maturities and weighted average contractual rate of our CDs were as follows:

| | June 30, 2017 | |
|---|---|---|
| **($ in thousands)** | **Amount** | **Rate** |
| Certificates of deposit maturing in: | | |
| July 1 - December 31, 2017 | $ 1,737,952 | 0.84% |
| 2018 | 2,821,865 | 1.17% |
| 2019 | 834,849 | 1.85% |
| 2020 | 389,567 | 2.20% |
| 2021 | 158,734 | 1.96% |
| 2022 and thereafter | 87,048 | 2.13% |
| Total | $ 6,030,015 | 1.27% |

***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, senior notes and subordinated notes have an original maturity in excess of one year.

*FHLB Advances*

As of June 30, 2017, we had short-term FHLB advances of $150.0 million, all of which were repaid in July 2017.

Our long-term, laddered maturity, fixed-rate FHLB advances as of June 30, 2017 were $7.6 billion. The weighted average remaining maturity of long-term FHLB advances was 1.7 years at June 30, 2017.

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

| | June 30, 2017 | |
|---|---|---|
| **($ in thousands)** | **Amount** | **Rate** |
| FHLB advances maturing in: | | |
| July 1 - December 31, 2017 | $ 650,000 | 1.83% |
| 2018 | 2,725,000 | 1.45% |
| 2019 | 3,075,000 | 1.51% |
| 2020 | 900,000 | 1.71% |
| 2021 | 200,000 | 1.50% |
| Total | $ 7,550,000 | 1.54% |

*Senior Notes and Subordinated Notes*

The following table presents the carrying values, coupon rates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes and subordinated notes as of June 30, 2017:

| | June 30, 2017 | | | |
|---|---|---|---|---|
| **($ in thousands)** | | **Carrying Value (1)** | **Rate** | **Maturity Date** |
| **Senior notes:** | | | | |
| Fixed rate, issued June 2014 | $ | 398,002 | 2.375% | June 2019 |
| Fixed rate, issued June 2017 | $ | 495,863 | 2.500% | June 2022 |
| **Subordinated notes:** | | | | |
| Fixed rate, issued August 2016 | $ | 387,484 | 4.375% | August 2046 |
| Fixed rate, issued February 2017 | $ | 389,411 | 4.625% | February 2047 |

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

*Available Borrowing Capacity*

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at June 30, 2017 was $17.8 billion and $7.2 billion, respectively. This available borrowing capacity is supported by already pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

**Liquidity**

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity. At June 30, 2017, our investment securities portfolio of $16.9 billion and cash and cash equivalents of $2.3 billion collectively comprised 24% of total assets. At June 30, 2017, we increased our holdings of assets that are considered HQLA, including eligible cash, to $9.9 billion, compared to $9.0 billion at December 31, 2016.

At June 30, 2017, we had $17.8 billion of available borrowing capacity at the FHLB supported by already pledged loans. In addition, we had $7.2 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 31% of total assets.

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

During the six months ended June 30, 2017, our loan originations, net of repayments, were $6.4 billion and our investment purchases, net of sales, calls and paydowns, were $1.5 billion. We also redeemed all of the outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock and all of the outstanding shares of our 6.20% Noncumulative Perpetual Series B Preferred Stock, which totaled $349.5 million. These activities were primarily funded by a net increase in deposits of $4.7 billion, a net increase in FHLB borrowings of $1.8 billion and the sale of $1.1 billion of loans. In addition, during the six months ended June 30, 2017, we sold 2.5 million shares of common stock, which added $233.7 million to common equity, and also completed an underwritten public offering of noncumulative perpetual preferred stock, which added approximately $193.7 million to equity. During the six months ended June 30, 2017, we also completed an underwritten public offering of unsecured subordinated notes of $400 million, with net proceeds of $389.3 million, and an underwritten public offering of unsecured senior notes of $500 million, with net proceeds of $495.4 million.

At June 30, 2017, we had $150.0 million in outstanding short-term FHLB advances. 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 fluctuations. At June 30, 2017, the Bank had loans held for sale of $202.3 million, which were committed to be delivered to investors in the third 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

The following table represents the components of our regulatory capital under the transitional requirements of the Basel III Capital Rules in effect at the dates indicated:

| ($ in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Shareholders' equity | $ 7,260,083 | $ 6,908,652 |
| CET1 capital adjustments and deductions: | | |
| Preferred stock | (990,000) | (1,139,525) |
| Goodwill and other intangible assets, net of deferred taxes | (270,844) | (259,119) |
| Deferred tax assets that arise from tax credit carryforwards | (21,600) | (7,087) |
| Accumulated other comprehensive income | (2,182) | (6,339) |
| CET1 capital | 5,975,457 | 5,496,582 |
| Preferred stock | 990,000 | 1,139,525 |
| Additional Tier 1 capital deductions | (5,400) | (4,724) |
| Additional Tier 1 capital | 984,600 | 1,134,801 |
| Tier 1 capital | 6,960,057 | 6,631,383 |
| Tier 2 capital instruments—subordinated notes [1] | 776,895 | 387,380 |
| Qualifying allowance for loan losses [2] | 350,505 | 318,898 |
| Other Tier 2 qualifying instruments | 257 | 64 |
| Tier 2 capital | 1,127,657 | 706,342 |
| Total risk-based capital | $ 8,087,714 | $ 7,337,725 |

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

At June 30, 2017 and December 31, 2016, the Bank's noncumulative perpetual preferred stock was 14% and 17% of Tier 1 capital, respectively.

During the six months ended June 30, 2017, we completed an underwritten public offering of 2.5 million shares of new common stock, which added $233.7 million to common equity, and also completed an underwritten public offering of noncumulative perpetual preferred stock, which added $193.7 million to equity.

During the six months ended June 30, 2017, we completed an underwritten public offering of $400 million of 30-year term, 4.625% fixed-rate, unsecured subordinated notes. The subordinated notes qualify as Tier 2 capital and increased total risk-based capital by $389.3 million.

In addition, during the six months ended June 30, 2017, we redeemed all of the outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock and all of the outstanding shares of our 6.20% Noncumulative Perpetual Series B Preferred Stock, which totaled $349.5 million, plus accrued and unpaid dividends to the respective dates of redemption.

As described in our 2016 Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Requirements," the rules under the Basel III framework became effective for the Bank on January 1, 2015. The Basel III Capital Rules introduced a capital measure referred to as Common Equity Tier 1 ("CET1") and a regulatory capital ratio of CET1 to risk-weighted assets. The Basel III Capital Rules also revised the definitions and components of required capital, and the approach for risk weighting assets.

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

Our capital ratios exceeded all applicable regulatory requirements at June 30, 2017 for well-capitalized institutions, and our capital conservation buffer of 6.22% exceeded both the transitional buffer of 1.25% and the fully phased-in minimum requirements of 2.5%. The following table presents our capital ratios under the transitional and fully phased-in requirements and the regulatory requirements under the Basel III Capital Rules:

| ($ in thousands) | Actual (Transitional) June 30, 2017 | Fully Phased-in [(1)] June 30, 2017 | Actual (Transitional) December 31, 2016 | Regulatory Requirements Well-Capitalized Ratio | Regulatory Requirements Minimum Capital Ratio | Regulatory Requirements Minimum Capital Conservation Buffer [(2)] |
|---|---|---|---|---|---|---|
| **Capital Ratios** | | | | | | |
| Tier 1 leverage ratio (Tier 1 capital to average assets) | 8.99% | 8.97% | 9.37% | 5.00% | 4.00% | —% |
| CET1 capital to risk-weighted assets | 10.72% | 10.63% | 10.83% | 6.50% | 4.50% | 1.25% |
| Tier 1 capital to risk-weighted assets | 12.49% | 12.39% | 13.07% | 8.00% | 6.00% | 1.25% |
| Total capital to risk-weighted assets | 14.51% | 14.41% | 14.46% | 10.00% | 8.00% | 1.25% |
| **Regulatory Capital [(3)]** | | | | | | |
| CET1 capital | $ 5,975,457 | $ 5,949,749 | $ 5,496,582 | | | |
| Tier 1 capital | $ 6,960,057 | $ 6,939,749 | $ 6,631,383 | | | |
| Total capital | $ 8,087,714 | $ 8,067,406 | $ 7,337,725 | | | |
| **Assets [(3)]** | | | | | | |
| Average assets | $ 77,419,255 | $ 77,398,947 | $ 70,779,188 | | | |
| Risk-weighted assets | $ 55,730,798 | $ 55,988,677 | $ 50,744,017 | | | |

(1) Certain adjustments required under the Basel III Capital Rules will be phased in through the end of 2018. The ratios and amounts shown in this column are calculated assuming a fully phased-in basis of all such adjustments as if they were effective as of June 30, 2017.

(2) Beginning on January 1, 2016, a capital conservation buffer is required to be held by banking institutions. The minimum required capital conservation buffer is 1.25% in 2017 and is being phased in through January 1, 2019 when it reaches 2.5%. As of June 30, 2017, our capital conservation buffer was 6.22%, which exceeded both the transitional buffer of 1.25% and the fully phased-in minimum requirements of 2.5%.

(3) As defined by regulatory capital rules.

**Note Regarding Non-GAAP Financial Measures**

Our accounting and reporting policies conform to 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 in July 2010, our management historically used certain non-GAAP (i.e., core) measures and ratios that excluded the impact of certain net purchase accounting items to evaluate our performance. However, due to the diminished impact of these positive purchase accounting items, beginning in the first quarter of 2017, we no longer present any non-GAAP financial measures.

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

We manage interest rate risk primarily by originating and retaining adjustable-rate loans and hybrid ARM loans with initial short- or intermediate-term fixed rates and funding these assets with checking and savings accounts, short- and intermediate-term CDs, long-term laddered maturity fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes and subordinated notes. We may also utilize overnight and short-term borrowings to fund certain short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit fluctuations. As an active and ongoing part of our ALM strategy, we sell long-term fixed-rate single family mortgage loans into the secondary market through ongoing, or "flow," transactions. We also sell portions of our single family hybrid ARM and fixed-rate loans in bulk loan transactions or securitizations. We sold $1.1 billion of loans during the six months ended June 30, 2017.

At June 30, 2017, we did not have any interest rate exchange agreements for hedging purposes. We have on occasion entered into various types of interest rate exchange agreements 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 and net interest margin. The last such agreement we entered into was in 2011.

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

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

*Balance Sheet Overview*

Our net interest income and net interest margin may be affected by the mix of earning assets and interest-bearing liabilities. The Bank has earning assets with reset periods or maturity of less than one year totaling $25.2 billion, or 33% of total earning assets at June 30, 2017. Of these earning assets, the Bank has loans, including loans held for sale, that are currently adjustable and reprice with indices or mature within one year totaling $21.6 billion, or 37% of the total loan portfolio at June 30, 2017. The loan portfolio where such loans reprice at least quarterly to market rate indices, such as Prime or LIBOR, totaled $14.1 billion, or 24% of the loan portfolio at June 30, 2017. The loan portfolio with lagging indices, such as COFI and the CMT totaled $5.4 billion, or 9% of the total loan portfolio at June 30, 2017. Additionally, the loan portfolio that either (1) matures within one year; (2) is within one year of adjusting from the initial fixed-rate period; or (3) is committed for sale totaled $2.1 billion, or 4% of the total loan portfolio at June 30, 2017. In addition, $3.6 billion, or 19% of our investments (predominantly agency commercial MBS) and cash reprice quarterly, or on a more frequent basis, to market rate indices at June 30, 2017.

Total checking deposits were $40.1 billion, or 63% of total deposits at June 30, 2017. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which currently pay a nominal rate of 3 basis points. We do not expect the rate paid on interest-bearing checking deposits to fluctuate much with changes in overall interest rates, consistent with our history. The rates paid on money market savings, money market checking and passbook deposit accounts generally move directionally with changes in short-term prevailing interest rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together totaled $17.1 billion, or 27% of total deposits at June 30, 2017. CDs were $6.0 billion, or 10% of total deposits and had a weighted average remaining maturity of 13.6 months at June 30, 2017.

We utilize long-term FHLB advances as a source of fixed-rate, term funding to help manage our overall interest rate risk. Such advances totaled $7.6 billion at June 30, 2017 with a weighted average maturity of 1.7 years. In addition, the Bank has also issued unsecured, term, fixed-rate senior notes in both June 2014 and June 2017 and unsecured, term, fixed-rate subordinated notes in both August 2016 and February 2017. At June 30, 2017, the senior notes had a carrying value of $893.9 million and mature in June 2019 and June 2022. Also, at June 30, 2017, the subordinated notes had a carrying value of $776.9 million and mature in August 2046 and February 2047.

*Net Interest Income Simulation*

In addition to evaluating our current balance sheet, we also perform net interest income 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 or long-term subordinated notes, to sell loans, to enter into interest rate exchange agreements or to otherwise seek to better protect ourselves against potential adverse effects from changes in interest rates.

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

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning June 30, 2017, are presented in the following table. The projections assume both (a) instantaneous parallel shifts upward of 100 and 200 basis points and instantaneous parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) gradual parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In downward shifts of the yield curve, interest rates are not modeled to decline lower than 0%.

| | **Estimated Increase (Decrease) in Net Interest Income** | |
|---|---|---|
| **Change in Market Interest Rates** | **Twelve Months Ending June 30, 2018** | **Twelve Months Ending June 30, 2019** |
| Shock: | | |
| +200 basis points immediately | 8.7 % | 14.9 % |
| +100 basis points immediately | 4.5 % | 7.7 % |
| -100 basis points immediately | (7.0)% | (11.4)% |
| -200 basis points immediately | (12.9)% | (23.0)% |
| Ramp: | | |
| +200 basis points over next 12 months | 3.7 % | 10.1 % |
| +100 basis points over next 12 months | 2.2 % | 5.8 % |
| -100 basis points over next 12 months | (2.6)% | (9.7)% |
| -200 basis points over next 12 months | (6.3)% | (19.8)% |

As of June 30, 2017, the Bank is slightly asset sensitive, indicating that it would generally benefit from increases in interest rates given 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 adjustable-rate loans, which would begin to reprice upward with prevailing rates, adjustable-rate securities, certain fixed funding sources and modeled trends in deposit balances and mix. In addition, in the second year, the greater asset sensitivity is driven by growth in the loan portfolio and new investment purchases both made at new market interest rates. With respect to checking, we project checking balances to migrate from their current level of 63% of total deposits to approximately 60% of total deposits over the two-year horizon depicting a shifting preference of some account holders for higher yielding deposits in a rising rate environment. The rate paid on checking balances, both non-interest bearing and interest bearing, remains very modest in the rising rate environment, consistent with historical experience and expectations. Money market checking, money market savings and passbook accounts are assumed to reprice at approximately 70% of the change in short-term interest rates over the two-year period, also consistent with our historical experience.

As part of our interest rate risk management process, we perform additional simulations and scenarios. For example, if the mix of checking deposits to total deposits were to change gradually from 63% at June 30, 2017, to 50% of total deposits over a two-year period, our impact to net interest income in a +200 basis points ramp would be an increase of 7.9% in the second year, compared to 10.1% in the table above.

Inversely, in a hypothetical declining rate environment, in which interest rates decline lower than current levels, we experience an asymmetrical 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.

The results of this earnings simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from our projections, 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. In a rising rate environment our net interest income could be lower than projected if deposits and other short-term liabilities reprice faster than expected or if a greater than expected portion of non-interest bearing deposits migrate to interest bearing deposits. Actual results could also differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes materially. Actual results could also differ from those projected if we experience repayment speeds in our loan portfolio substantially different 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.

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.

## Item 4. Controls and Procedures.

### Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Our management, including our chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of June 30, 2017, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended June 30, 2017 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 to which we or any of our subsidiaries is a party or to which any of our property is subject. We are subject to ordinary routine litigation incidental to our business but we believe the results of such matters will not have a material effect on our business or financial condition.

## Item 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 2016 Form 10-K. Any of the risks described in our 2016 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

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

### Recent Sales of Unregistered Securities

During the second quarter of 2017, we sold 27,634 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $2.3 million. These sales were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

During the second quarter of 2017, we granted 21,217 restricted stock units, net of forfeitures, that are time vesting. In addition, we granted 800,425 restricted stock units, net of forfeitures, and 290,750 performance share units that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees, officers and directors, and had an aggregate grant date fair value of $111.8 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

On May 30, 2017, we sold $500.0 million in aggregate principal amount of 2.500% Senior Notes due June 2022 as part of an underwritten public offering. The aggregate public offering price was approximately $499.6 million, and the aggregate underwriting discount was $3.0 million. Net proceeds, after underwriting discounts, were approximately $496.6 million, which we used for general corporate purposes, which included, among other things, funding loans and purchasing investment securities for our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC. This transaction was exempt from registration under the Securities Act pursuant to Section 3(a)(2) thereof because the transaction involved securities issued by a bank.

On May 31, 2017, we sold 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank’s 5.125% Noncumulative Perpetual Series H Preferred Stock (“Series H Preferred Stock”) for aggregate cash consideration of approximately $200.0 million and the aggregate underwriting discount was $5.8 million. Net proceeds, after underwriting discounts, were approximately $194.2 million, which we used for general corporate purposes, which included, among other things, funding loans and purchasing investment securities for our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

## Item 3. Defaults Upon Senior Securities.

Not applicable.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

None.

## Item 6. Exhibits.

An Index to Exhibits listing the exhibits filed or furnished with this report is presented following the signature page to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

## SIGNATURES

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

**FIRST REPUBLIC BANK**

| | |
|---|---|
| August 8, 2017 | /s/ Michael J. Roffler |
| | **Michael J. Roffler** |
| | Executive Vice President and Chief Financial Officer |
| | (Principal Financial Officer) |

## INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|
| 3.1 | Restated Articles of Incorporation of First Republic Bank. |
| 4.1 | Fiscal and Paying Agency Agreement, dated June 6, 2017, between the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 6, 2017. |
| 4.2 | Form of Note (included in Exhibit 4.1). |
| 4.3 | Deposit Agreement, dated June 7, 2017, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 7, 2017. |
| 4.4 | Form of Depositary Receipt (included in Exhibit 4.3). |
| 10.1 | Performance Share Unit Agreement, dated as of June 16, 2017, between James H. Herbert, II and the Bank. |
| 10.2 | Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan. |
| 10.3 | Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan. |
| 10.4 | First Republic Bank 2017 Executive Incentive Plan, incorporated by reference to Annex A of the Bank's Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders on Schedule 14A filed on March 27, 2017. |
| 10.5 | First Republic Bank 2017 Omnibus Award Plan, incorporated by reference to Annex B of the Bank's Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders on Schedule 14A filed on March 27, 2017. |
| 10.6 | Employment Agreement Amendment No. 4, effective May 10, 2017, to the Employment Agreement dated June 15, 2010, as amended effective February 27, 2012, February 25, 2014 and December 1, 2015, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on May 12, 2017. |
| 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. |

Exhibit 3.1

# RESTATED ARTICLES OF INCORPORATION

# OF

# FIRST REPUBLIC BANK

James H. Herbert, II and Michael J. Roffler certify that:

1. They are the Chairman of the Board of Directors and Chief Financial Officer, respectively, of First Republic Bank (the "Corporation"), a California corporation.

2. No shares of the Corporation's 6.20% Noncumulative Perpetual Series B Preferred Stock (the "Series B Preferred Stock") are issued or outstanding.

3. The Restated Articles of Incorporation of the Corporation, as amended, are amended to eliminate the designation of, and the rights, preferences, privileges, and restrictions of, the Series B Preferred Stock and are restated to read in full as set forth in Exhibit A hereto, which is incorporated by reference as if fully set forth herein.

4. The foregoing amendment and restatement has been duly approved by the Board of Directors of the Corporation.

5. The foregoing amendment and restatement was one which may be adopted by the Board of Directors of the Corporation alone under Section 510(f) and Section 910(b) of the California Corporations Code because the amendment relates solely to the reacquiring by the Corporation of all the authorized shares of a series of shares pursuant to Section 510(c) of the California Corporations Code and the related elimination from the articles of the designation and the rights, preferences, privileges, and restrictions of such shares and the restatement, other than such amendment, does not otherwise alter or amend the Restated Articles of Incorporation of the Corporation, as amended.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Signed on this 10th of July, 2017.

| | |
|---|---|
| /s/ James H. Herbert, II | /s/ Michael J. Roffler |
| James H. Herbert, II | Michael J. Roffler |
| Chairman of the Board | Chief Financial Officer |

**<u>Exhibit A</u>**

# RESTATED ARTICLES OF INCORPORATION

# OF

# FIRST REPUBLIC BANK

FIRST, the name of this corporation is First Republic Bank.

SECOND, the purpose of this corporation is to engage in commercial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a commercial bank authorized to engage in trust business.

THIRD, the Series A Voting Common Stock, par value $0.01 per share (“Voting Common Stock”), of this corporation shall be re-designated as common stock, par value $0.01 per share, of this corporation and all issued and outstanding shares of Voting Common Stock immediately prior to the adoption and effectiveness of these Amended and Restated Articles of Incorporation shall be so re-designated without any action required on the part of any holder of Voting Common Stock. Any certificate evidencing shares of Voting Common Stock shall evidence the same number of shares of common stock following the adoption and effectiveness of these Amended and Restated Articles of Incorporation. The Series B Non-Voting Common Stock, par value $0.01 per share, of this corporation shall be cancelled. The total number of shares of stock of all classes which this corporation has authority to issue is 425,000,000 shares of which 400,000,000 shares shall be common stock, par value $0.01 per share, and 25,000,000 shares shall be preferred stock, par value $0.01 per share.

<u>Preferred Stock</u>. The preferred stock may be issued from time to time by this corporation as shares of one or more series. The board of directors is authorized to fix the number of shares of any series of preferred stock and to determine the designation of any such series. The board of directors is also authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of preferred stock and, within the limits and restrictions stated in any resolution or resolutions of the board of directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

FOURTH, no action required to be taken or which may be taken at any annual or special meeting of the shareholders of this corporation may be taken without a meeting, and the power of shareholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

FIFTH, the affirmative vote of the holders of at least 66 2/3% of the outstanding shares entitled to vote in the election of directors shall be required to effect or validate (1) any merger or consolidation with or into any other corporation or (2) any sale or lease of all or a substantial part of the assets of this corporation to any other corporation, person or other entity; provided that this Article FIFTH shall not apply to (a) any transaction if the board of directors of this corporation has approved a memorandum of understanding or other written agreement providing for such transaction or (b) any merger or consolidation of this corporation with, or any sale or lease by this corporation or any subsidiary thereof of any assets of, or any sale or lease by this corporation or any subsidiary thereof of any of its assets to, any corporation of which the majority of the outstanding shares of all classes of stock entitled to vote in election of directors is owned of record or beneficially by this corporation and its subsidiaries.

SIXTH, the liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law and applicable provisions of federal law.

SEVENTH, this corporation is authorized to provide indemnification of agents (as defined in Section 317(a) of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to (i) the applicable limits set forth in Section 204(a)(10) of the California Corporations Code, (ii) 12 U.S.C. § 1828(k) and the rules and regulations of the Federal Deposit Insurance Corporation thereunder and (iii) any other requirements or limitations imposed by state or federal laws or regulations.

EIGHTH, upon the effectiveness of this Article EIGHTH, shareholders shall not be permitted to elect directors by cumulative voting.

This Article EIGHTH shall become effective only when this corporation becomes a listed corporation within the meaning of Section 301.5 of the California Corporations Code, which section provides that a listed corporation means a corporation with outstanding shares listed on the New York Stock Exchange or a corporation with outstanding securities listed on the National Market System of the Nasdaq Stock Market (or any successor to that entity).

NINTH, the board of directors is authorized to adopt, amend and repeal bylaws of this corporation to the fullest extent permitted under applicable law. The shareholders may make, alter or repeal any bylaws whether or not adopted by them.

TENTH, any amendment, repeal or modification of Articles SIXTH or SEVENTH shall not adversely affect any right of protection of any director or agent of this corporation existing at the time of such amendment, repeal or modification.

ELEVENTH, the amendment or repeal of Article FOURTH, SIXTH, SEVENTH, EIGHTH or NINTH or this Article ELEVENTH of these Amended and Restated Articles of Incorporation, in any respect, or the adoption of any article or articles that are inconsistent with such Articles, in any respect, shall require prior approval by the affirmative vote of the holders of at least 66 2/3% of the outstanding shares entitled to vote.

TWELFTH, the Certificate of Determination for the 5.625% Noncumulative Perpetual Series C Preferred Stock, as filed on November 20, 2012, is attached hereto as Annex A and incorporated herein by reference.

THIRTEENTH, the Certificate of Determination for the 5.50% Noncumulative Perpetual Series D Preferred Stock, as filed on April 18, 2013, is attached hereto as Annex B and incorporated herein by reference.

FOURTEENTH, the Certificate of Determination for the 7.00% Noncumulative Perpetual Series E Preferred Stock, as filed on October 24, 2013, is attached hereto as Annex C and incorporated herein by reference.

FIFTEENTH, the Certificate of Determination for the 5.70% Noncumulative Perpetual Series F Preferred Stock, as filed on May 21, 2015, is attached hereto as Annex D and incorporated herein by reference.

SIXTEENTH, the Certificate of Determination for the 5.50% Noncumulative Perpetual Series G Preferred Stock, as filed on February 5, 2016, is attached hereto as Annex E and incorporated herein by reference.

SEVENTEENTH, the Certificate of Determination for the 5.125% Noncumulative Perpetual Series H Preferred Stock, as filed on June 2, 2017, is attached hereto as Annex F and incorporated herein by reference.

## **Annex A**

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 5.625% Noncumulative Perpetual Series C Preferred Stock, to consist of 172,500 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series C Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of assets of the Bank legally available therefor, cash dividends at an annual rate of 5.625% of the $1,000.00 liquidation preference per share (equivalent to $56.25 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on December 30, 2012 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series C Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series C Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided, however*, that if the date fixed for redemption of any of the Series C Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series C Preferred Stock issued in the initial issuance of Series C Preferred Stock shall commence on and include the initial date of issuance of shares of Series C Preferred Stock (the "*Issue Date*") and (ii) for shares of Series C Preferred Stock issued after the Issue Date shall commence on and include the later of the Issue Date and the first day of the quarterly period in which such later date of issue occurs.

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series C Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series C Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series C Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series C Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series C Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series C Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series C Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series C Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series C Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series C Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series C Preferred Stock, all dividends declared on the Series C Preferred Stock and any other series ranking on a parity as to dividends with the Series C Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series C Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series C Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series C Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series C Preferred Stock at the time outstanding in whole or in part, from time to time, on or after December 29, 2017, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series C Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series C Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series C Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series C Preferred Stock are to be redeemed, the number of shares of Series C Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board or by any other method as may be determined by the Board, in its sole discretion, to be fair and equitable, provided that such method satisfies any applicable requirements of any securities exchange (if any) on which the shares of Series C Preferred Stock are then listed.

Unless full dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series C Preferred Stock shall be redeemed unless all outstanding Series C Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series C Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series C Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series C Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series C Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series C Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series C Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series C Preferred Stock or any depositary shares representing interests in the Series C Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series C Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series C Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series C Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series C Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series C Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series C Preferred Stock at the time outstanding will be entitled to receive out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series C Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series C Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series C Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series C Preferred Stock and such other classes or series of capital stock ranking on parity with the Series C Preferred Stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series C Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series C Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series C Preferred Stock shall have no voting rights. When the holders of Series C Preferred Stock are entitled to vote, each share of Series C Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series C Preferred Stock, the holders of the Series C Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series C Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series C Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series C Preferred Stock, the holders of the Series C Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series C Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series C Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series C Preferred Stock, the holders of the Series C Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series C Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series C Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) Removal and Replacement of Preferred Directors. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series C Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series C Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series C Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series C Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series C Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series C Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series C Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series C Preferred Stock, provided that: (x) the Series C Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series C Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series C Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series C Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series C Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series C Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series C Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series C Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series C Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series C Preferred Stock with respect to dividends, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series C Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series C Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series C Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series C Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series C Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series C Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank's Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series C Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series C Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

## **Annex B**

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 5.50% Noncumulative Perpetual Series D Preferred Stock, to consist of 200,000 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series D Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of assets of the Bank legally available therefor, cash dividends at an annual rate of 5.50% of the $1,000.00 liquidation preference per share (equivalent to $55.00 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on June 30, 2013 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series D Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series D Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided, however*, that if the date fixed for redemption of any of the Series D Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series D Preferred Stock issued in the initial issuance of Series D Preferred Stock shall commence on and include the initial date of issuance of shares of Series D Preferred Stock (the "*Issue Date*") and (ii) for shares of Series D Preferred Stock issued after the Issue Date shall commence on and include the later of the Issue

Date and the first day of the quarterly period in which such later date of issue occurs.

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series D Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series D Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series D Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series D Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series D Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series D Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series D Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series D Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series D Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series D Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series D Preferred Stock, all dividends declared on the Series D Preferred Stock and any other series ranking on a parity as to dividends with the Series D Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series D Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series D Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series D Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series D Preferred Stock at the time outstanding in whole or in part, from time to time, on or after June 29, 2018, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series D Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series D Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series D Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series D Preferred Stock are to be redeemed, the number of shares of Series D Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board or by any other method as may be determined by the Board, in its sole discretion, to be fair and equitable, provided that such method satisfies any applicable requirements of any securities exchange (if any) on which the shares of Series D Preferred Stock are then listed.

Unless full dividends on the Series D Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series D Preferred Stock shall be redeemed unless all outstanding Series D Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series D Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series D Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series D Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series D Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series D Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series D Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series D Preferred Stock or any depositary shares representing interests in the Series D Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series D Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series D Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series D Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series D Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series D Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series D Preferred Stock at the time outstanding will be entitled to receive out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series D Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series D Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series D Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series D Preferred Stock and such other classes or series of capital stock ranking on parity with the Series D Preferred Stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series D Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series D Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series D Preferred Stock shall have no voting rights. When the holders of Series D Preferred Stock are entitled to vote, each share of Series D Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series D Preferred Stock, the holders of the Series D Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series D Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series D Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series D Preferred Stock, the holders of the Series D Preferred Stock

and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series D Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series D Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series D Preferred Stock, the holders of the Series D Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series D Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series D Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) Removal and Replacement of Preferred Directors. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series D Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series D Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series D Preferred Stock entitled to vote, voting together as a single class with the holders of all other

Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series D Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series D Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series D Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series D Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series D Preferred Stock, provided that: (x) the Series D Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series D Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series D Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series D Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series D Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series D Preferred

Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series D Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series D Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series D Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series D Preferred Stock with respect to dividends, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series D Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series D Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series D Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series D Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series D Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series D Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank’s Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series D Preferred

Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series D Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

## Annex C

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 7.00% Noncumulative Perpetual Series E Preferred Stock, to consist of 200,000 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series E Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of funds of the Bank legally available therefor, cash dividends at an annual rate of 7.00% of the $1,000.00 liquidation preference per share (equivalent to $70.00 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on December 30, 2013 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series E Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series E Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided*, *however*, that if the date fixed for redemption of any of the Series E Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series E Preferred Stock issued in the initial issuance of Series E Preferred Stock shall commence on and include the initial date of issuance of shares of Series E Preferred Stock (the "*Issue Date*") and (ii) for shares of Series E Preferred Stock issued after the Issue Date shall commence on and include the later of the Issue Date and the first day of the quarterly period in which such later date of issue occurs.

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series E Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series E Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series E Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series E Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series E Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series E Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series E Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series E Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series E Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series E Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series E Preferred Stock, all dividends declared on the Series E Preferred Stock and any other series ranking on a parity as to dividends with the Series E Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series E Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series E Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series E Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series E Preferred Stock at the time outstanding in whole or in part, from time to time, on or after December 28, 2018, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series E Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series E Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series E Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series E Preferred Stock are to be redeemed, the number of shares of Series E Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board.

Unless full dividends on the Series E Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series E Preferred Stock shall be redeemed unless all outstanding Series E Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series E Preferred Stock; *provided, however,* that the Bank may purchase or acquire Series E Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series E Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series E Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series E Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series E Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series E Preferred Stock or any depositary shares representing interests in the Series E Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series E Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series E Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series E Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series E Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series E Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series E Preferred Stock at the time outstanding will be entitled to be paid out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series E Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series E Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series E Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series E Preferred Stock and such other classes or series of capital stock ranking on parity with the Series E Preferred Stock shall share ratably in any such

distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series E Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series E Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series E Preferred Stock shall have no voting rights. When the holders of Series E Preferred Stock are entitled to vote, each share of Series E Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series E Preferred Stock, the holders of the Series E Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series E Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series E Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series E Preferred Stock, the holders of the Series E Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the

election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series E Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series E Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series E Preferred Stock, the holders of the Series E Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series E Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series E Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) Removal and Replacement of Preferred Directors. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series E Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series E Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series E Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series E Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series E Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series E Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series E Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series E Preferred Stock, provided that: (x) the Series E Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series E Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series E Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series E Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series E Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series E Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative

Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series E Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series E Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series E Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series E Preferred Stock with respect to dividends, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series E Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series E Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series E Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series E Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series E Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series E Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank’s Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series E Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series E Preferred

Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

## **Annex D**

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 5.70% Noncumulative Perpetual Series F Preferred Stock, to consist of 115,000 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series F Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of funds of the Bank legally available therefor, cash dividends at an annual rate of 5.70% of the $1,000.00 liquidation preference per share (equivalent to $57.00 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on June 30, 2015 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series F Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series F Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided, however*, that if the date fixed for redemption of any of the Series F Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series F Preferred Stock issued in the initial issuance of Series F Preferred Stock shall commence on and include the initial date of issuance of shares of Series F Preferred Stock (the "*Issue Date*") and (ii) for shares of Series F Preferred Stock issued after the Issue Date shall commence on

and include the later of the Issue Date and the first day of the quarterly period in which such later date of issue occurs).

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series F Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series F Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series F Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series F Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series F Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series F Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series F Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series F Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series F Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series F Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series F Preferred Stock, all dividends declared on the Series F Preferred Stock and any other series ranking on a parity as to dividends with the Series F Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series F Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series F Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series F Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series F Preferred Stock at the time outstanding in whole or in part, from time to time, on or after June 30, 2020, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series F Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series F Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series F Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series F Preferred Stock are to be redeemed, the number of shares of Series F Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board.

Unless full dividends on the Series F Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series F Preferred Stock shall be redeemed unless all outstanding Series F Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series F Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series F Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series F Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series F Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series F Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series F Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series F Preferred Stock or any depositary shares representing interests in the Series F Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series F Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series F Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series F Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series F Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series F Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series F Preferred Stock at the time outstanding will be entitled to be paid out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series F Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series F Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series F Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series F Preferred Stock and such other classes or series of capital stock ranking on parity with the Series F Preferred Stock shall share ratably in any such

distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series F Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series F Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series F Preferred Stock shall have no voting rights. When the holders of Series F Preferred Stock are entitled to vote, each share of Series F Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series F Preferred Stock, the holders of the Series F Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series F Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series F Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series F Preferred Stock, the holders of the Series F Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the

election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series F Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series F Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series F Preferred Stock, the holders of the Series F Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series F Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series F Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) Removal and Replacement of Preferred Directors. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series F Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series F Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series F Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series F Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series F Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series F Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series F Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series F Preferred Stock, provided that: (x) the Series F Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series F Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series F Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series F Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series F Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series F Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D

Preferred Stock, 7.00% Noncumulative Perpetual Series E Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series F Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series F Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series F Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series F Preferred Stock with respect to dividends, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D Preferred Stock, 7.00% Noncumulative Perpetual Series E Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series F Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series F Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series F Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series F Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series F Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series F Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank's Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series F Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series F Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

## **Annex E**

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 5.50% Noncumulative Perpetual Series G Preferred Stock, to consist of 172,500 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series G Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of funds of the Bank legally available therefor, cash dividends at an annual rate of 5.50% of the $1,000.00 liquidation preference per share (equivalent to $55.00 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on March 30, 2016 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series G Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series G Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided, however*, that if the date fixed for redemption of any of the Series G Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series G Preferred Stock issued in the initial issuance of Series G Preferred Stock shall commence on and include the initial date of issuance of shares of Series G Preferred Stock (the "*Issue Date*") and (ii) for shares of Series G Preferred Stock issued after the Issue Date shall commence on

and include the later of the Issue Date and the first day of the quarterly period in which such later date of issue occurs).

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series G Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series G Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series G Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series G Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series G Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series G Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series G Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series G Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series G Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series G Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series G Preferred Stock, all dividends declared on the Series G Preferred Stock and any other series ranking on a parity as to dividends with the Series G Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series G Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series G Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series G Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series G Preferred Stock at the time outstanding in whole or in part, from time to time, on or after March 30, 2021, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series G Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series G Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series G Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series G Preferred Stock are to be redeemed, the number of shares of Series G Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board.

Unless full dividends on the Series G Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series G Preferred Stock shall be redeemed unless all outstanding Series G Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series G Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series G Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series G Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series G Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series G Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series G Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series G Preferred Stock or any depositary shares representing interests in the Series G Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series G Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series G Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series G Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series G Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series G Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series G Preferred Stock at the time outstanding will be entitled to be paid out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series G Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series G Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series G Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series G Preferred Stock and such other classes or series of capital stock ranking on parity with the Series G Preferred Stock shall share ratably in any such

distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series G Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series G Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series G Preferred Stock shall have no voting rights. When the holders of Series G Preferred Stock are entitled to vote, each share of Series G Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series G Preferred Stock, the holders of the Series G Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series G Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series G Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series G Preferred Stock, the holders of the Series G Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the

election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series G Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series G Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series G Preferred Stock, the holders of the Series G Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series G Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series G Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) Removal and Replacement of Preferred Directors. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series G Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series G Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series G Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series G Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series G Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series G Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series G Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series G Preferred Stock, provided that: (x) the Series G Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series G Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series G Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series G Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series G Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series G Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative

Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D Preferred Stock, 7.00% Noncumulative Perpetual Series E Preferred Stock, 5.70% Noncumulative Perpetual Series F Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series G Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series G Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series G Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series G Preferred Stock with respect to dividends, (ii) on a parity with 6.70% Noncumulative Perpetual Series A Preferred Stock, 6.20% Noncumulative Perpetual Series B Preferred Stock, 5.625% Noncumulative Perpetual Series C Preferred Stock, 5.50% Noncumulative Perpetual Series D Preferred Stock, 7.00% Noncumulative Perpetual Series E Preferred Stock, 5.70% Noncumulative Perpetual Series F Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series G Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series G Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series G Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series G Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series G Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series G Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank's Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series G Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series G Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

## Annex F

RESOLVED, that the Board, pursuant to Article Third of the Bank's Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 5.125% Noncumulative Perpetual Series H Preferred Stock, to consist of 200,000 shares, par value $0.01 per share, none of which are currently outstanding, the rights, privileges, preferences and restrictions of which shall be (in addition to those set forth in the Bank's Restated Articles of Incorporation, as amended) as follows:

Section 1. *Dividends.*

(a) Payment of Dividends. Holders of Series H Preferred Stock shall be entitled to receive, when, as and if authorized and declared by the Board (which shall include any authorized committee thereof), out of funds of the Bank legally available therefor, cash dividends at an annual rate of 5.125% of the $1,000.00 liquidation preference per share (equivalent to $51.25 per share per annum) (the "*Dividend Rate*"), and no more. Such cash dividends shall be noncumulative and payable, if authorized and declared, quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing on June 30, 2017 (each such date, a "*Dividend Payment Date*"), or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the immediately preceding Business Day, without adjustment. The amount of the dividend per share of Series H Preferred Stock on each Dividend Payment Date will be equal to the Dividend Rate multiplied by 0.25, then multiplied by $1,000 (with the result rounded upward, if necessary, to the nearest 0.00001 of 1%), except for the initial Dividend Payment Date, as described in the next paragraph. Each authorized and declared dividend shall be payable to holders of record of the Series H Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 60 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board (each such date, a "*Record Date*"); *provided, however*, that if the date fixed for redemption of any of the Series H Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*") shall commence on and include each Dividend Payment Date, and shall end on and exclude the following Dividend Payment Date (except that the first Dividend Period (i) for shares of Series H Preferred Stock issued in the initial issuance of Series H Preferred Stock shall commence on and include the initial date of issuance of shares of Series H Preferred Stock (the "*Issue Date*") and (ii) for shares of Series H Preferred Stock issued after the Issue Date shall commence on

and include the later of the Issue Date and the first day of the quarterly period in which such later date of issue occurs).

The amount of dividends payable for the Dividend Period commencing on the Issue Date shall be computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year composed of twelve 30-day months.

Holders of the Series H Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series H Preferred Stock authorized and declared by the Board that may be unpaid. Any dividend payment made on the Series H Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series H Preferred Stock.

(b) Dividends Noncumulative. The right of holders of Series H Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series H Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends have been or are authorized and declared payable in respect of any prior or subsequent Dividend Period.

(c) Priority as to Dividends; Limitations on Dividends on Junior Stock. If full dividends on the Series H Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 1(c)) with respect to the common stock or any other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series H Preferred Stock as to dividends or amounts distributed upon liquidation, dissolution or winding up of the affairs of the Bank (together with the common stock, "*Junior Stock*"), other than (x) dividends payable on Junior Stock in Junior Stock and (y) cash in lieu of fractional shares in connection with any such dividend, nor shall any Junior Stock or any stock ranking on parity with the Series H Preferred Stock as to dividends or amounts upon liquidation, dissolution or winding up of the affairs of the Bank ("*Parity Stock*") be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except (x) by conversion into or exchange for other Junior Stock or (y) by the tendering of Junior Stock in payment for the exercise of stock options under our equity incentive plans then in effect), until such time as dividends on all outstanding Series H Preferred Stock have been authorized, declared and paid, or a sum sufficient for the payment thereof has been set apart for payment, as of the Dividend Payment Date for the current Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series H Preferred Stock, all dividends declared on the Series H Preferred Stock and any other series ranking on a parity as to dividends with the Series H Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series H Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series H Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series H Preferred Stock bear to each other.

(d) Dividend Reference. Any reference to "*dividends*" or "*distributions*" in this Section 1 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 2. *Redemption*.

(a) Optional Redemption. Subject to the further terms and conditions provided herein, the Bank, at its option, subject to the approval of the "appropriate Federal banking agency" with respect to the Bank (as defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision) (the "*Appropriate Federal Banking Agency*"), may, upon notice given as provided in Section 2(d), redeem shares of the Series H Preferred Stock at the time outstanding in whole or in part, from time to time, on or after June 30, 2022, at a cash redemption price equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the redemption occurs, plus (iii) the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to, but excluding, the date of redemption, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months (the "*Redemption Price*").

(b) Regulatory Event Redemption. Notwithstanding Section 2(a), the Bank, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem all (but not less than all) of the shares of Series H Preferred Stock at the time outstanding, upon notice given as provided in section 2(d), at the Redemption Price at any time within 90 days following the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the Issue Date; (ii) any proposed change in such laws or regulations that is announced after the Issue Date; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the Issue Date, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the shares of Series H Preferred Stock then outstanding as “Tier 1 Capital” (or its equivalent), as defined at 12 C.F.R. § 325.2(v) of the regulations of the Federal Deposit Insurance Corporation, or any successor regulation of the Federal Deposit Insurance Corporation (or, as and if applicable, the corresponding regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series H Preferred Stock is outstanding.

(c) Partial Redemption. In the event that fewer than all the outstanding shares of Series H Preferred Stock are to be redeemed, the number of shares of Series H Preferred Stock to be redeemed shall be determined by the Board, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board.

Unless full dividends on the Series H Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series H Preferred Stock shall be redeemed unless all outstanding Series H Preferred Stock are redeemed, and the Bank shall not purchase or otherwise acquire any Series H Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series H Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series H Preferred Stock.

(d) Notice of Redemption. A notice by the Bank pursuant to this Section 2 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series H Preferred Stock at the holder’s address as it appears in the records of the Bank’s transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of shares of Series H Preferred Stock to be redeemed, (iii) the Redemption Price and (iv) the manner in which holders of Series H Preferred Stock called for redemption may obtain payment of the Redemption Price in respect of those shares. Notwithstanding anything to the contrary in this paragraph, if the Series H Preferred Stock or any depositary shares representing interests in the Series H Preferred Stock are issued in book-entry form through The Depositary Trust Company or any other similar facility, notice of redemption may be given to the holders of Series H Preferred Stock at such time and in any manner permitted by such facility.

(e) Effect of Redemption. Any shares of Series H Preferred Stock that are duly called for redemption pursuant to this Section 2 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series H Preferred Stock so called for redemption shall have no further rights as shareholders of the Bank and in lieu thereof shall have only the right to receive the Redemption Price, without interest.

Series H Preferred Stock redeemed pursuant to this Section 2 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series H Preferred Stock.

Section 3. *Liquidation Rights*.

(a) Liquidation Value. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series H Preferred Stock at the time outstanding will be entitled to be paid out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of Junior Stock, liquidating distributions in an amount equal to the sum of (i) $1,000.00 per share plus (ii) the amount of any declared and unpaid dividends for any Dividend Period before the Dividend Period in which the liquidation occurs, plus (iii) the amount of the declared and unpaid dividends thereon from the beginning of the Dividend Period in which the liquidation occurs to the date of liquidation, computed on the basis of the number of days elapsed in the Dividend Period using a 360-day year comprised of twelve 30-day months.

After payment of the full amount of the liquidating distributions to which they are entitled, pursuant to the preceding paragraph, the holders of Series H Preferred Stock will have no right or claim to any of the remaining assets of the Bank.

(b) Partial Payment. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series H Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series H Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series H Preferred Stock and such other classes or series of capital stock ranking on parity with the Series H Preferred Stock shall share ratably in any such

distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

(c) Consolidation, Merger or Sale of Assets not Liquidation. For the purposes of this Section 3, the merger or consolidation of the Bank with or into any other entity or by another entity with or into the Bank, or the sale, lease, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series H Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series H Preferred Stock set forth herein.

Section 4. *Voting Rights.*

(a) General. Except as expressly provided in this Section 4 and as required by law, holders of Series H Preferred Stock shall have no voting rights. When the holders of Series H Preferred Stock are entitled to vote, each share of Series H Preferred Stock will be entitled to one vote.

(b) Right to Elect Directors.

(1) If at any time the Bank has failed to pay or set aside for payment scheduled dividends (whether or not declared) in an aggregate amount equal to at least six full quarterly dividend payments (whether or not consecutive) on the Series H Preferred Stock, the holders of the Series H Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock of the Bank then outstanding ranking on a parity with Series H Preferred Stock as to payment of dividends and having voting rights equivalent to those provided in this Section 4(b) for the Series H Preferred Stock ("*Voting Parity Stock*"), will be entitled to elect two directors (the "*Preferred Directors*") to serve on the Board, and the holders of all then outstanding shares of capital stock of the Bank otherwise entitled under the Bank's Restated Articles of Incorporation, as the same may be amended or restated from time to time, or by law to elect directors ("*Voting Stock*"), shall be entitled to elect the remaining number of authorized directors. The Board shall at no time have more than two Preferred Directors.

(2) If, at any time after the right to elect directors is vested in the Series H Preferred Stock, the holders of the Series H Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the

election of the Preferred Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the holders of the Series H Preferred Stock and any Voting Parity Stock, voting as a single class, and the holders of the Voting Stock shall each elect directors at the special meeting as provided in Section 4(b)(1), the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Series H Preferred Stock and any Voting Parity Stock, as a single class, and the directors elected by the holders of the Voting Stock shall constitute the directors of the Bank until the next annual meeting.

If, at any time after the right to elect directors is vested in the Series H Preferred Stock, the holders of the Series H Preferred Stock and any Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Directors to the Board would not cause the number of directors to exceed the maximum number authorized under the Bank's Restated Articles of Incorporation or Bylaws, each as amended from time to time, then the terms of office of all persons who were directors immediately prior thereto shall continue until the next annual meeting.

(3) Whenever all dividends on the Series H Preferred Stock and any other Voting Parity Stock have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series H Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other Voting Parity Stock is then entitled to elect directors, the terms of office of all Preferred Directors will immediately terminate.

(c) <u>Removal and Replacement of Preferred Directors</u>. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series H Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the shares of Series H Preferred Stock and all other Voting Parity Stock, called for that purpose. As long as the right to elect Preferred Directors is continuing, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series H Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at a meeting of the Bank's shareholders, or of the holders of the Series H Preferred Stock and all other Voting Parity Stock, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series H Preferred Stock entitled to vote, voting together as a single class with the holders of all other Voting Parity Stock, at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Director.

(d) Certain Voting Rights. The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of each series of Preferred Stock of the Bank, including the Series H Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank (other than a series which shall not have any right to object to such creation) or (ii) to alter or change the provisions of the Bank's Restated Articles of Incorporation (including the terms of the Series H Preferred Stock) or Bylaws, including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided, however,* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least two-thirds of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Restated Articles of Incorporation or Bylaws shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series H Preferred Stock, provided that: (x) the Series H Preferred Stock remain outstanding with the terms thereof unchanged; or (y) the Series H Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series H Preferred Stock set forth herein. Additionally, (i) any increase in the amount of the authorized Common Stock or Preferred Stock or the creation or issuance of any other Junior Stock or Parity Stock and (ii) any change to the number of directors or number or classes of directors shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series H Preferred Stock.

Section 5. *Ranking*.

(a) Ranking with Respect to Distributions upon Liquidation. With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series H Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series H Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with the 6.20% Noncumulative Perpetual Series B Preferred Stock, the 5.625% Noncumulative Perpetual Series C Preferred Stock, the 5.50%

Noncumulative Perpetual Series D Preferred Stock, the 7.00% Noncumulative Perpetual Series E Preferred Stock, the 5.70% Noncumulative Perpetual Series F Preferred Stock, the 5.50% Noncumulative Perpetual Series G Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series H Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series H Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) Ranking with Respect to Dividends. With respect to dividends, the Series H Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they are junior to the Series H Preferred Stock with respect to dividends, (ii) on a parity with the 6.20% Noncumulative Perpetual Series B Preferred Stock, the 5.625% Noncumulative Perpetual Series C Preferred Stock, the 5.50% Noncumulative Perpetual Series D Preferred Stock, the 7.00% Noncumulative Perpetual Series E Preferred Stock, the 5.70% Noncumulative Perpetual Series F Preferred Stock, the 5.50% Noncumulative Perpetual Series G Preferred Stock and all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding that expressly provide that they will rank on parity with the Series H Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that expressly provide that they are senior to the Series H Preferred Stock with respect to dividends.

Section 6. *No Conversion Rights*. The holders of Series H Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest or property in, the Bank.

Section 7. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series H Preferred Stock.

Section 8. *Preemptive or Subscription Rights*. No holder of Series H Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 9. *No Other Rights*. The Series H Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank's Restated Articles of Incorporation or as otherwise required by law.

Section 10. *Compliance with Applicable Law*. Declaration by the Board and payment by the Bank of dividends to holders of the Series H Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series H Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

Exhibit 10.1

**FIRST REPUBLIC BANK**
**2017 OMNIBUS AWARD PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT**

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 16, 2017 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and James H. Herbert, II ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2017 Omnibus Award Plan (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

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

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

1. Grant of Performance Share Units.

(a) Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 50,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Performance Period (up to the target number) will be determined by the level of achievement of the performance goals ("Performance Goals") in accordance with Exhibit A attached hereto.

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

2. Terms and Conditions.

(a) Performance Period. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on April 1, 2017 and ending on March 31, 2020.

(b) Performance Goals. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved and the number of PSUs earned by Participant will be determined by the Committee. No later than sixty (60) days following the end of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that Participant shall earn, if any, subject to compliance with the requirements of this Section 2. Such certification shall be final, conclusive and binding on Participant, and on all other persons, to the maximum extent permitted by law.

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

(d) Termination of Continuous Service.

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

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

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

(iv) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service is terminated during the Performance Period as a result of Participant's career retirement with the approval of the Committee

("Retirement"), Participant will remain eligible to vest in pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that Participant was in Continuous Service during the Performance Period and the denominator of which equals the total number of days in the Performance Period ("Pro Rata Portion"), and rounding to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals, and subject to Participant's compliance with the Employment Policies (as defined below) and the other provisions of Section 2(k).

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

A. if Participant's Continuous Service is terminated during the Performance Period as a result of termination by Bank of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012, Amendment No. 2 effective February 25, 2014, Amendment No. 3 effective December 1, 2015 and Amendment No. 4 effective May 10, 2017 (the "Employment Agreement")), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not been terminated, based on the level of achievement of the Performance Goals; and

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

(vi) Extended Term. Notwithstanding Section 2(d)(i), if Participant's Continuous Service is terminated during the Performance Period and on or after the commencement of the Extended Term (as defined in the Employment Agreement) as a result of Participant's resignation because Participant is not elected to the Board by shareholders of Bank or is not appointed as Executive Chairman, Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not terminated, based on the level of achievement of the Performance Goals.

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

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

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

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

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

For the sake of clarification, if Participant's Continuous Service is terminated during the Performance Period but more than 24 months following the Change in Control as a result of termination by Bank of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(v) shall apply with respect to the Target Award (without regard to actual performance but as adjusted pursuant to the immediately preceding clauses (A) and (B)). In addition, if Participant's Continuous Service is terminated during the Performance Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Performance Period following the Change in Control, the provisions of Sections 2(d)(ii)-(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service is terminated during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and

(B), without proration), provided that if Retirement is within 24 months following the Change in Control, the PSUs shall be subject to settlement upon Participant's Retirement rather than on the last day of the Performance Period to the extent required by and subject to the conditions of Section 409A of the Code.

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

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

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

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

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

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

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

(l) Recoupment. In the event of a material restatement of Bank's financial results, the Board has authority to seek reimbursement of any portion of the Award that is greater than would have been awarded if calculated based on the restated financial results. In addition, any recoupment or "clawback" policies adopted by the Committee pursuant to Section 954 of the Dodd-Frank Wall Street Reform and

Consumer Protection Act or other applicable law shall apply to this Award and any Shares that may be issued pursuant hereto to the extent the Committee provides at the time the policy is adopted.

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank<br>
111 Pine Street<br>
San Francisco, CA 94111<br>
Attention: Michael Roffler<br>
Facsimile No.: (415) 262-4131

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

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

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

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

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

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

(g) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to

Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. Further, each installment of a series of payments hereunder will be deemed to be a separate payment for purposes of Section 409A of the Code. If the settlement of the Award is due on a termination of Continuous Service, such term shall be interpreted to mean a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code ("Separation from Service") that qualifies as a permitted payment event under Section 409A to the extent the Award is or has become subject to Section 409A. In addition, if the settlement of the Award is due upon a termination of Continuous Service that occurs within 24 months following a Change in Control, settlement will be accelerated from the date on which it would otherwise have been made only if the Change in Control also constitutes a change in the ownership or effective control of Bank, or in the ownership of a substantial portion of the assets of Bank, within the meaning of regulations issued under Section 409A(a)(2)(a)(v) of the Code, to the extent the Award is or has become subject to Section 409A. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the Separation from Service of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant) or a "change in control event" within the meaning of Section 409A of the Code).

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

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

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

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

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

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

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

First Republic Bank

By: /s/ Michael J. Roffler

Michael J. Roffler
Executive Vice President and
Chief Financial Officer

**EXHIBIT A**
**to**
**FIRST REPUBLIC BANK**
**2017 OMNIBUS AWARD PLAN**
**PERFORMANCE SHARE UNIT AGREEMENT**

## PERFORMANCE GOAL

Subject to the terms and conditions of the Agreement and the Plan, the number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the following Performance Goal.

The PSUs subject to the Target Award (50,000 PSUs) will be earned in accordance with the following schedule based upon Bank's reported GAAP Return on Average Tangible Common Equity ("ROATCE") averaged over the 12 calendar quarters during the Performance Period as an absolute percentage and in relation to the median Return on Equity ("ROE") reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Bank Index (BKX) or comparable successor index ("KBW median"). ROATCE is computed as net income available to common shareholders divided by average tangible common equity. For purposes of calculating ROATCE, all averages shall be calculated using quarter end average numbers. ROE for a quarter is calculated by dividing Net Income Available to Common Shareholders for the quarter by the average Common Shareholders' Equity for the quarter.

If the 12-quarter average of the reported ROATCE of the Bank for the 12 quarters is less than either 10.5% or if the Bank's ROE is less than the median ROE for peer group institutions, the PSUs will not be earned to any extent.

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

I have read and understand this agreement and accept all conditions and restrictions.

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

June 19, 2017
Date

Exhibit 10.2

**FIRST REPUBLIC BANK**

**2017 OMNIBUS AWARD PLAN**

**<u>PERFORMANCE SHARE UNIT AGREEMENT</u>**

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

WHEREAS, Bank adopted the **First Republic Bank** 2017 Omnibus Award Plan (the "<u>Plan</u>"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

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

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

1. <u>Grant of Performance Share Units</u>.

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

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

2. <u>Terms and Conditions</u>.

(a) <u>Restricted Period</u>. The period of time between the Date of Grant and the vesting of PSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 20% of the PSUs shall become vested on each twelve-month anniversary of the Date of Grant, subject to both (i) the Committee's certification of Bank's achievement of a 10.5% or greater return on average tangible common equity ("ROATCE") in the 12-month period ending on the March 31 immediately preceding the vesting date, and (ii) Participant's continuous service as an employee or, if determined by the Committee, a consultant ("Continuous Service") with Bank and the Affiliates through each such vesting date. ROATCE is computed as net income available to common shareholders divided by average tangible common equity. For purposes of calculating ROATCE, all averages shall be calculated using quarter end average numbers. Except as may otherwise be provided herein, if Participant's Continuous Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all PSUs granted hereunder that have not vested on or prior to such termination of Continuous Service shall be forfeited by Participant. No additional PSUs vest after termination of Continuous Service for any reason.

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

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

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

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

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

(ii) Involuntary Termination following Change in Control. If Participant's Continuous Service is terminated during the Restricted Period within 24 months following a Change in Control as a result of termination by Bank without Cause, as defined in the Plan, or Participant's resignation for Good Reason, as defined below, the vesting of all of the outstanding PSUs will accelerate in full upon such termination. For purposes of this Agreement, "Good Reason" means the occurrence of any of the following, without Participant's express written consent:

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

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

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

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

(d) Disability. Notwithstanding Section 2(c)(i) above, if Participant's Continuous Service terminates during the Restricted Period because Participant becomes disabled within the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability"), PSUs will continue to be eligible to vest during the Restricted Period in accordance with the schedule set forth in Section 2(a), subject to Bank's achievement of ROATCE described in Section 2(a)(i), but without regard to Participant's Continuous Service as set forth in Section 2(a)(ii).

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

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

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

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

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

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

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

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Michael Roffler
Facsimile No.: (415) 262-4131

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

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

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

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

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

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

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

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

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

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

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

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

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

First Republic Bank

By: ____________________________

**APPENDIX A**

**EMPLOYEE OBLIGATIONS**

(a) Covenants.

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

***Please Initial:_____***

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

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

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

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

(vi) Covenant Not To Engage in Competitive Activities; Garden Leave

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

***Please Initial:_____***

You further agree that upon the termination of your employment from Bank or any subsidiary (A) you shall, upon request by Bank or its subsidiary, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any withholdings required by law) during such period, maintain yourself available to consult with Bank or its subsidiary as they shall request for 90 days for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and during such period, you shall not engage in any Competitive Business, and (B) for a period of six months after the later of the termination of your employment or the end of the period specified in clause (A) of this sentence, if applicable, you shall not take any action, directly or indirectly, that causes or could reasonably be expected to cause any customer (or prospective customer) of Bank or any subsidiary to whom you provided services or with whom you otherwise had contact to become a customer of any business other than Bank or a subsidiary.

***Please Initial:_____***

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

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

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

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

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

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

I have read and understand this agreement and accept all conditions and restrictions.

____________________________________

____________________________________
Date

# APPENDIX A

## EMPLOYEE OBLIGATIONS

(a) Notice of Termination.

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

***Please Initial:_____***

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

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

(ii) You further agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank, and you hereby assign to Bank all of your right, title and interest in, to and under all such inventions, copyrightable material, trade secrets and other work. You agree that during your employment with Bank and at all times thereafter, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information of Bank or any of its subsidiaries are used; (B) it is not related to Bank's actual or Bank's demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from or in connection with any work performed by you for Bank or any of its subsidiaries.

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

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

(e) Covenants.

(i) During Employment. While you are employed by Bank or any subsidiary (including, for the avoidance of doubt, any Notice Periods), you shall not, directly or indirectly, engage in any activities which shall be competitive with the business or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business. Without limiting the foregoing, nothing in this section shall preclude you from holding investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

***Please Initial:_____***

(ii) After Employment. You further agree that, after your employment with Bank terminates for any reason, you will not, directly or indirectly, for yourself or on behalf of any other person, firm or legal entity:

(1) use the Bank's Confidential Information to solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any Bank customer to whom or which you provided services, or with whom or which you had professional contact; or

(2) for a 12-month period following your termination, solicit, entice, encourage or persuade, or attempt to solicit, entice, encourage or persuade, any employee, agent, independent contractor or vendor of Bank to leave, terminate or limit his/her/its relationship with Bank or accept employment with or perform services for any other person or entity.

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

***Please Initial:_____***

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

I have read and understand this agreement and accept all conditions and restrictions.

Date

**FIRST REPUBLIC BANK**

**2017 OMNIBUS AWARD PLAN**

**RESTRICTED STOCK UNIT AGREEMENT**

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

WHEREAS, Bank adopted the **First Republic Bank** 2017 Omnibus Award Plan (the "Plan"), pursuant to which restricted stock unit awards may be granted with respect to Common Stock of Bank; and

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

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

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

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

2. Terms and Conditions.

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

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

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

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

(c) Treatment of RSUs Upon Termination of Service. Subject to Participant's continued service with Bank and the Affiliates, and notwithstanding Section 2(a) hereof, 100% of the RSUs shall become vested immediately on Participant's termination of service due to death or Disability. If, other than as provided in Section 2(b), Participant's service with Bank and the Affiliates is terminated prior to the expiration of the Restricted Period applicable to any outstanding RSUs for any reason other than death or Disability, then Participant shall forfeit all outstanding, unvested RSUs, which shall terminate and expire on the date of such termination of service without consideration to Participant and without any action by Bank or any Affiliate. Neither the Participant nor any successors, heirs, assigns, or legal representatives of the Participant shall thereafter have any rights or interest in such RSUs or consideration therefor.

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

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

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

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

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

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank

111 Pine Street

San Francisco, CA 94111

Attention: Michael Roffler

Facsimile No.: (415) 262-4131

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

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

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

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

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

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

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

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

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

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

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

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

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

First Republic Bank

By:

**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 June 30, | | Six Months Ended June 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **($ in thousands)** | **2017** | **2016** | **2017** | **2016** | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Earnings before adjustment for fixed charges:** | | | | | | | | | |
| Income before income taxes and noncontrolling interest in subsidiaries | $ 220,298 | $ 200,793 | $ 433,815 | $ 396,672 | $ 827,596 | $ 690,668 | $ 669,883 | $ 663,559 | $ 601,347 |
| Preferred stock dividends of subsidiaries | — | — | — | — | — | — | — | — | (2,676) |
| Redemption of subsidiary's preferred stock | — | — | — | — | — | — | — | — | (13,200) |
| Earnings before adjustment for fixed charges | $ 220,298 | $ 200,793 | $ 433,815 | $ 396,672 | $ 827,596 | $ 690,668 | $ 669,883 | $ 663,559 | $ 585,471 |
| **Fixed charges and preferred stock dividend requirements:** | | | | | | | | | |
| I. Excluding interest on deposits: | | | | | | | | | |
| Interest on borrowings | $ 40,836 | $ 21,404 | $ 71,595 | $ 40,134 | $ 89,946 | $ 86,357 | $ 91,795 | $ 71,026 | $ 57,205 |
| Preferred stock dividends of subsidiaries | — | — | — | — | — | — | — | — | 2,676 |
| Redemption of subsidiary's preferred stock | — | — | — | — | — | — | — | — | 13,200 |
| Estimated interest component of net rental expense | 7,320 | 6,071 | 14,454 | 11,821 | 25,358 | 21,400 | 18,733 | 17,658 | 16,777 |
| Total fixed charges, excluding interest on deposits | 48,156 | 27,475 | 86,049 | 51,955 | 115,304 | 107,757 | 110,528 | 88,684 | 89,858 |
| Preferred stock dividend requirements | 24,817 | 30,219 | 51,031 | 58,845 | 118,666 | 102,483 | 96,619 | 70,732 | 32,597 |
| Fixed charges and preferred stock dividend requirements | $ 72,973 | $ 57,694 | $ 137,080 | $ 110,800 | $ 233,970 | $ 210,240 | $ 207,147 | $ 159,416 | $ 122,455 |
| Earnings, including fixed charges | $ 268,454 | $ 228,268 | $ 519,864 | $ 448,627 | $ 942,900 | $ 798,425 | $ 780,411 | $ 752,243 | $ 675,329 |
| **Ratio of earnings to fixed charges** | 5.57x | 8.31x | 6.04x | 8.63x | 8.18x | 7.41x | 7.06x | 8.48x | 7.52x |
| **Ratio of earnings to fixed charges and preferred stock dividend requirements** | 3.68x | 3.96x | 3.79x | 4.05x | 4.03x | 3.80x | 3.77x | 4.72x | 5.51x |
| II. Including interest on deposits: | | | | | | | | | |
| Interest on borrowings | $ 40,836 | $ 21,404 | $ 71,595 | $ 40,134 | $ 89,946 | $ 86,357 | $ 91,795 | $ 71,026 | $ 57,205 |
| Preferred stock dividends of subsidiaries | — | — | — | — | — | — | — | — | 2,676 |
| Redemption of subsidiary's preferred stock | — | — | — | — | — | — | — | — | 13,200 |
| Estimated interest component of net rental expense | 7,320 | 6,071 | 14,454 | 11,821 | 25,358 | 21,400 | 18,733 | 17,658 | 16,777 |
| Interest on deposits | 26,355 | 16,390 | 48,406 | 32,898 | 73,765 | 61,072 | 60,454 | 60,817 | 56,981 |
| Total fixed charges, including interest on deposits | 74,511 | 43,865 | 134,455 | 84,853 | 189,069 | 168,829 | 170,982 | 149,501 | 146,839 |
| Preferred stock dividend requirements | 24,817 | 30,219 | 51,031 | 58,845 | 118,666 | 102,483 | 96,619 | 70,732 | 32,597 |
| Fixed charges and preferred stock dividend requirements | $ 99,328 | $ 74,084 | $ 185,486 | $ 143,698 | $ 307,735 | $ 271,312 | $ 267,601 | $ 220,233 | $ 179,436 |
| Earnings, including fixed charges | $ 294,809 | $ 244,658 | $ 568,270 | $ 481,525 | $ 1,016,665 | $ 859,497 | $ 840,865 | $ 813,060 | $ 732,310 |
| **Ratio of earnings to fixed charges** | 3.96x | 5.58x | 4.23x | 5.67x | 5.38x | 5.09x | 4.92x | 5.44x | 4.99x |
| **Ratio of earnings to fixed charges and preferred stock dividend requirements** | 2.97x | 3.30x | 3.06x | 3.35x | 3.30x | 3.17x | 3.14x | 3.69x | 4.08x |

**EXHIBIT 31.1**

# CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2017

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

**EXHIBIT 31.2**

**CERTIFICATION**

I, Michael J. Roffler, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2017

/s/ Michael J. Roffler

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

**EXHIBIT 32.1**

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

The undersigned, the Chairman and Chief Executive Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ James H. Herbert, II

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

**EXHIBIT 32.2**

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

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ Michael J. Roffler

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