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, 2018

OR

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

For the transition period from to

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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, 2018 was 162,651,230.

FIRST REPUBLIC BANK
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

SIGNATURES

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 3,993,226	$ 2,297,021
Investment securities available-for-sale	2,163,773	2,418,088
Investment securities held-to-maturity (fair value of 14,177,841 and $16,502,745 at June 30, 2018 and December 31, 2017, respectively)	14,284,071	16,157,945
Equity securities (fair value)	19,997	—
Loans	69,146,894	62,840,215
Less: Allowance for loan losses	(397,377)	(365,932)
Loans, net	68,749,517	62,474,283
Loans held for sale	46,753	87,695
Investments in life insurance	1,349,823	1,330,652
Tax credit investments	1,054,536	1,107,546
Prepaid expenses and other assets	1,533,840	1,254,720
Premises, equipment and leasehold improvements, net	312,278	296,197
Goodwill and other intangible assets	281,550	290,221
Mortgage servicing rights	62,096	66,139
Total Assets	$ 93,851,460	$ 87,780,507
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 28,428,832	$ 26,355,331
Interest-bearing checking	15,490,545	17,324,683
Money market checking	10,054,060	9,251,504
Money market savings and passbooks	8,599,957	8,752,396
Certificates of deposit	10,198,556	7,234,794
Total Deposits	72,771,950	68,918,708
Short-term borrowings	600,000	100,000
Long-term FHLB advances	9,650,000	8,300,000
Senior notes	895,572	894,723
Subordinated notes	777,278	777,084
Other liabilities	880,687	971,691
Total Liabilities	85,575,487	79,962,206
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 1,140,000 and 990,000 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1,140,000	990,000
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 162,638,209 and 161,695,803 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1,626	1,617
Additional paid-in capital	3,772,323	3,778,913
Retained earnings	3,379,725	3,051,611
Accumulated other comprehensive loss	(17,701)	(3,840)
Total Shareholders' Equity	8,275,973	7,818,301
Total Liabilities and Shareholders' Equity	$ 93,851,460	$ 87,780,507

See accompanying notes to financial statements.

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

($ in thousands, except per share amounts)	Quarter Ended June 30, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Interest income:				
Loans	$ 589,912	$ 462,810	$ 1,131,225	$ 891,208
Investments	133,992	130,435	272,262	248,493
Other	4,850	2,784	9,828	6,155
Cash and cash equivalents	5,685	3,126	9,598	5,794
Total interest income	734,439	599,155	1,422,913	1,151,650
Interest expense:				
Deposits	62,027	26,355	112,414	48,406
Borrowings	60,719	40,836	111,048	71,595
Total interest expense	122,746	67,191	223,462	120,001
Net interest income	611,693	531,964	1,199,451	1,031,649
Provision for loan losses	19,370	23,938	32,370	33,026
Net interest income after provision for loan losses	592,323	508,026	1,167,081	998,623
Noninterest income:				
Investment management fees	82,925	68,819	161,042	129,714
Brokerage and investment fees	8,826	6,965	19,358	15,004
Trust fees	3,606	3,448	7,095	6,650
Foreign exchange fee income	9,547	7,081	16,944	12,942
Deposit fees	6,280	5,655	12,265	11,027
Loan and related fees	4,134	3,375	7,751	6,641
Loan servicing fees, net	3,186	3,577	6,705	6,348
Gain on sale of loans	4,045	841	4,734	4,205
Gain (loss) on investment securities, net	(1,027)	(602)	8,170	(2,037)
Income from investments in life insurance	9,612	9,538	19,089	19,173
Other income	1,287	675	2,370	1,164
Total noninterest income	132,421	109,372	265,523	210,831
Noninterest expense:				
Salaries and employee benefits	271,935	221,929	548,959	443,836
Information systems	59,530	51,053	118,494	96,823
Occupancy	37,216	33,631	73,388	66,997
Professional fees	15,588	12,236	29,002	23,401
FDIC assessments	16,064	13,601	31,596	26,751
Advertising and marketing	15,120	11,560	27,048	20,586
Other expenses	57,104	53,090	105,651	97,245
Total noninterest expense	472,557	397,100	934,138	775,639
Income before provision for income taxes	252,187	220,298	498,466	433,815
Provision for income taxes	42,406	33,698	89,602	70,441
Net income	209,781	186,600	408,864	363,374
Dividends on preferred stock	12,163	14,344	24,385	29,496
Net income available to common shareholders	$ 197,618	$ 172,256	$ 384,479	$ 333,878
Net income	$ 209,781	$ 186,600	$ 408,864	$ 363,374
Other comprehensive income (loss), net of tax:				
Net unrealized gain on securities transferred from held-to-maturity to available-for-sale	—	—	12,305	—
Net unrealized loss on securities available-for-sale	(4,084)	(1,636)	(6,081)	(4,813)
Reclassification of (gain) loss on securities available-for-sale to net income	907	348	(18,264)	1,178
Amortization of unrealized gain on securities transferred from available-for-sale to held-to-maturity	(220)	(279)	(639)	(522)
Other comprehensive loss	(3,397)	(1,567)	(12,679)	(4,157)
Comprehensive income	$ 206,384	$ 185,033	$ 396,185	$ 359,217
Basic earnings per common share	$ 1.22	$ 1.10	$ 2.37	$ 2.14
Diluted earnings per common share	$ 1.20	$ 1.06	$ 2.33	$ 2.07
Dividends per common share	$ 0.18	$ 0.17	$ 0.35	$ 0.33

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, 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**
Balance at December 31, 2017	**161,695,803**	**$ 990,000**	**$ 1,617**	**$ 3,778,913**	**$ 3,051,611**	**$ (3,840)**	**$ 7,818,301**
Cumulative adjustments from adoption of new accounting guidance	—	—	—	—	1,334	(1,182)	152
Balance at January 1, 2018	**161,695,803**	**990,000**	**1,617**	**3,778,913**	**3,052,945**	**(5,022)**	**7,818,453**
Net income	—	—	—	—	408,864	—	408,864
Other comprehensive loss	—	—	—	—	—	(12,679)	(12,679)
Issuance of preferred stock, net	—	300,000	—	(9,789)	—	—	290,211
Redemption of preferred stock	—	(150,000)	—	—	—	—	(150,000)
Stock compensation expense	—	—	—	41,050	—	—	41,050
Net issuance of common stock under stock plans	942,406	—	9	(37,851)	—	—	(37,842)
Dividends on preferred stock	—	—	—	—	(24,385)	—	(24,385)
Dividends on common stock	—	—	—	—	(57,699)	—	(57,699)
Balance at June 30, 2018	**162,638,209**	**$ 1,140,000**	**$ 1,626**	**$ 3,772,323**	**$ 3,379,725**	**$ (17,701)**	**$ 8,275,973**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Six Months Ended June 30, 2018	2017
Operating Activities:		
Net income	$ 408,864	$ 363,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	32,370	33,026
Depreciation, amortization and accretion, net	45,511	31,739
Amortization of mortgage servicing rights	8,579	8,521
Loans originated for sale	(143,980)	(256,707)
Proceeds from sales and principal repayments of loans held for sale	166,181	256,109
Deferred income taxes	(44,372)	26,407
Gain on sale of loans	(4,734)	(4,205)
(Gain) loss on investment securities, net	(8,170)	2,037
Noncash cost of stock plans	41,050	30,933
Increase in other assets	(102,668)	(86,657)
Increase (decrease) in other liabilities	(52,649)	97,946
Net Cash Provided by Operating Activities	345,982	502,523
Investing Activities:		
Loan originations, net of principal collections	(7,006,969)	(6,358,495)
Loans purchased	(180,560)	(217,861)
Loans sold	748,119	835,374
Purchases of securities available-for-sale	—	(336,353)
Proceeds from sales of securities available-for-sale	2,333,380	221,046
Proceeds from paydowns of securities available-for-sale	150,157	78,353
Purchases of securities held-to-maturity	(477,812)	(1,830,627)
Proceeds from sales, calls and paydowns of securities held-to-maturity	254,870	338,987
Purchases of FHLB stock and other investments	(107,615)	(112,725)
Proceeds from redemptions of FHLB stock	73,237	—
Net change in tax credit investments	(96,395)	(79,557)
Additions to premises, equipment and leasehold improvements, net	(62,802)	(86,899)
Net Cash Used for Investing Activities	(4,372,390)	(7,548,757)
Financing Activities:		
Net increase in deposits	3,852,536	4,691,439
Net increase in short-term borrowings	500,000	50,000
Proceeds from long-term debt	2,600,000	3,343,328
Repayment of long-term debt	(1,250,000)	(800,000)
Payment of long-term debt issuance costs	—	(8,371)
Decrease in debt related to variable interest entities	—	(3,454)
Net proceeds from issuance of preferred stock	290,211	193,660
Redemption of preferred stock	(150,000)	(349,525)
Net proceeds from issuance of common stock	—	233,705
Proceeds from issuance of common stock under employee stock purchase plan	5,825	4,783
Proceeds from stock options exercised	6	—
Payments of employee taxes withheld from share-based awards	(43,881)	(40,055)
Dividends on preferred stock	(24,385)	(29,496)
Dividends on common stock	(57,699)	(52,377)
Net Cash Provided by Financing Activities	5,722,613	7,233,637
Increase in Cash and Cash Equivalents	1,696,205	187,403
Cash and Cash Equivalents at the Beginning of Period	2,297,021	2,107,722
Cash and Cash Equivalents at the End of Period	$ 3,993,226	$ 2,295,125
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 211,894	$ 116,480
Income taxes	$ 63,925	$ 52,716
Transfer of loans to held for sale	$ 729,104	$ 633,119
Transfer of loans to securities available-for-sale	$ 161,105	$ 200,266
Transfer of securities from held-to-maturity to available-for-sale	$ 2,096,497	$ —
Transfer of repossessed assets from loans to other assets	$ —	$ 1,930

See accompanying notes to 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 33 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.

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, 2017, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2017 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 securities, fixed income securities, balanced portfolios 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 clients.

Gradifi is a corporate provider of education-related benefit plans. Through Gradifi, employers can make direct contributions to education debt repayment or savings plans 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 2018

During the six months ended June 30, 2018, the Bank adopted the following Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"):

ASU 2014-09—Revenue from Contracts with Customers (Accounting Standards Codification ("ASC") 606) and subsequent related ASUs

The Bank adopted this guidance effective January 1, 2018. ASC 606 establishes a principles-based approach to recognizing revenue from contracts with customers and 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. The Bank adopted this guidance using a modified retrospective approach. There were no changes to the timing or amount of revenue recognized or to the accounting for contract costs, and no cumulative effect adjustment to retained earnings as a result of the adoption of this guidance.

ASC 606 also requires quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows. See Note 15, "Revenue from Contracts with Customers," for these disclosures.

ASU 2016-01—Financial Instruments—Overall (ASC 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities and subsequent related ASU

The Bank adopted this guidance effective January 1, 2018. There are no changes to the accounting for debt securities or equity securities accounted for under the equity method as a result of this guidance. Upon adoption, marketable equity securities continue to be measured at fair value, but are no longer classified as securities available-for-sale. The changes in fair value are recognized in earnings, rather than other comprehensive income. In addition, other-than-temporary impairment analysis is no longer required for these securities, since changes in fair value are recognized through earnings. This guidance was applied on a modified retrospective basis. The Bank recorded a cumulative effect adjustment on January 1, 2018 of $510,000 to retained earnings, which represented net unrealized gains for these securities that were previously recognized in accumulated other comprehensive income, including any related tax effects. The cumulative adjustment is included within the Bank's Consolidated Statements of Changes in Shareholders' Equity and Note 12, "Accumulated Other Comprehensive Income (Loss)" for the six months ended June 30, 2018.

Non-marketable equity securities are measured at cost less impairment, adjusted for observable price changes of the same or similar investment. This guidance was applied prospectively.

This guidance requires separate presentation of financial assets and financial liabilities by measurement category and type. Refer to the Bank's Consolidated Balance Sheets and Note 2, "Investment Securities" for these disclosures. The guidance also clarifies that fair value disclosures of financial instruments measured at amortized cost should be based on an exit price. Refer to Note 9, "Fair Value Measurements."

ASU 2017-12—Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting and Hedging Activities

This guidance simplifies and improves hedge accounting, including expanding hedging strategies to include the "last-of-layer" method. The last-of-layer method can be used to hedge either prepayable assets in a closed portfolio or beneficial interests secured by prepayable financial instruments. For prepayable financial assets in a closed portfolio that are eligible to be hedged using the last-of-layer method, entities may reclassify eligible securities classified as held-to-maturity to available-for-sale upon adoption. In addition, there were changes to disclosure requirements for derivatives designated as hedging instruments.

The Bank early adopted this guidance effective in January 2018, using a modified retrospective approach. In connection with the adoption of this guidance, the Bank made a one-time transfer of eligible held-to-maturity securities with a carrying amount of $2.1 billion to available-for-sale securities and recorded $12.3 million of unrealized gain, net of taxes, in accumulated other comprehensive income.

There were no changes to the Bank's disclosures as a result of the adoption of this guidance, since the Bank's derivatives are not hedging instruments.

ASU 2018-02—Income Statement—Reporting Comprehensive Income (ASC 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

The change in the federal corporate income tax rate from 35% to 21% beginning in 2018 resulted in the adjustment of the Bank's deferred tax assets to reflect the new corporate tax rate at the time of enactment of tax reform legislation in 2017. However, balances within accumulated other comprehensive income related to unrealized gains and losses from available-for-sale securities did not reflect the change in the tax rate. This guidance allows entities to record a cumulative effect adjustment from accumulated other comprehensive income to retained earnings so that unrealized gains and losses in accumulated other comprehensive income reflect the change in the tax rate. In addition, this guidance also requires disclosure of the Bank's policy for accounting for tax effects related to available-for-sale investments. The Bank accounts for tax effects at the individual security level.

The Bank early adopted this guidance effective January 1, 2018 and elected to record a cumulative effect adjustment to increase beginning retained earnings by $824,000. The reclassified amount is included within the Bank's Consolidated Statements of Changes in Shareholders' Equity and Note 12, "Accumulated Other Comprehensive Income (Loss)," for the six months ended June 30, 2018.

ASU 2016-15—Statement of Cash Flows (ASC 230): Classification of Certain Cash Receipts and Cash Payments

The amendments 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. The Bank adopted this guidance effective January 1, 2018, on a retrospective basis. The adoption of this guidance did not have an impact on its consolidated statements of cash flows.

ASU 2017-09—Compensation—Stock Compensation (ASC 718): Scope of Modification Accounting

The amendments 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 Bank adopted this guidance effective January 1, 2018 on a prospective basis. The adoption of this guidance did not have an impact on its consolidated financial statements.

Recent Accounting Standards

The following ASUs have been issued by the FASB, but were not yet effective as of June 30, 2018:

ASU 2016-02—Leases (ASC 842) and subsequent related ASUs	
ASC 842, which was issued in February 2016, replaces existing lease guidance for lessees, and requires operating leases to be recognized on the balance sheet. Upon adoption of the guidance, lessees will recognize a lease liability for the present value of future lease payments, and a corresponding right-of-use asset. 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. Quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows from leases are also required. These amendments should be applied to each comparative reporting period using a modified retrospective approach. If elected, they may also be applied through a cumulative effect adjustment to the beginning of the period of adoption, instead of the beginning of the earliest comparative period.	The Bank will adopt this guidance effective January 1, 2019, without adjusting prior comparative financial statements. Implementation activities to date include accumulating a population of leases, reviewing lease contracts and evaluating incremental disclosure requirements. Upon adoption of this guidance, the Bank expects to record lease liabilities and right-of-use assets on its consolidated balance sheets primarily related to the $678 million of future minimum lease payments disclosed in Note 8 to the 2017 Form 10-K. However, the population of contracts subject to balance sheet recognition and their measurement is currently under evaluation. The Bank does not expect material changes to operating expense recognition on its consolidated statements of income.

ASU 2016-13—Financial Instruments—Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments	
ASC 326, which was issued in June 2016, revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, and unfunded loan commitments. 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.	The Bank will adopt this guidance effective January 1, 2020 using a modified retrospective approach, with certain aspects requiring a prospective approach (if applicable). The Bank is currently assessing the impact of this guidance on its consolidated financial statements and disclosures. The Bank has established project governance and is evaluating key implementation issues, including the development of estimated credit loss models under the new guidance.

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

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

Note 2. Investment Securities

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

($ in thousands)	June 30, 2018 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Agency residential mortgage-backed securities (“MBS”)	$ 29,743	$ 53	$ (671)	$ 29,125
Other residential MBS	4,728	2	(9)	4,721
Agency commercial MBS	2,110,896	2,370	(30,787)	2,082,479
Securities of U.S. states and political subdivisions—taxable	47,266	182	—	47,448
Total	$ 2,192,633	$ 2,607	$ (31,467)	$ 2,163,773
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 1,044,899	$ —	$ (48,120)	$ 996,779
Agency residential MBS	1,967,361	—	(86,819)	1,880,542
Agency commercial MBS	3,291,361	31	(144,079)	3,147,313
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	7,782,243	245,022	(84,197)	7,943,068
Tax-exempt nonprofit debentures	145,228	3,773	(930)	148,071
Taxable municipal securities	52,979	9,089	—	62,068
Total	$ 14,284,071	$ 257,915	$ (364,145)	$ 14,177,841

($ in thousands)	June 30, 2018
Equity (fair value):	
Mutual funds and marketable equity securities	$ 19,997

($ in thousands)	December 31, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury securities	$ 55,439	$ —	$ (441)	$ 54,998
Agency residential MBS	34,791	202	(419)	34,574
Other residential MBS	4,888	—	(28)	4,860
Agency commercial MBS	2,267,102	3,314	(14,526)	2,255,890
Securities of U.S. states and political subdivisions—taxable	47,258	191	—	47,449
Mutual funds and marketable equity securities	19,807	689	(179)	20,317
Total	$ 2,429,285	$ 4,396	$ (15,593)	$ 2,418,088
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 1,400,025	$ 1	$ (45,090)	$ 1,354,936
Agency residential MBS	2,734,819	2,971	(39,745)	2,698,045
Other residential MBS	1,631	34	(11)	1,654
Agency commercial MBS	3,017,012	—	(72,730)	2,944,282
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	8,804,924	505,182	(20,404)	9,289,702
Tax-exempt nonprofit debentures	146,529	4,466	(468)	150,527
Taxable municipal securities	53,005	10,594	—	63,599
Total	$ 16,157,945	$ 523,248	$ (178,448)	$ 16,502,745

During the six months ended June 30, 2018, the Bank early adopted ASU 2017-12. In connection with the adoption of this guidance, the Bank made a one-time transfer of eligible held-to-maturity securities with a carrying amount of $2.1 billion to available-for-sale and recorded $12.3 million of unrealized gain, net of taxes, in accumulated other comprehensive income.

During the six months ended June 30, 2018, the Bank performed a repositioning of its investment portfolio and sold certain available-for-sale U.S. Treasury securities, U.S. Government-sponsored agency securities, agency residential MBS, agency commercial MBS, and tax-exempt municipal securities with proceeds of $2.2 billion, and recognized a gain on sale of $10.7 million.

The Bank pledges investment securities at the Federal Reserve Bank to maintain the ability to borrow at the discount window, or at a correspondent bank as collateral to secure trust funds and public deposits. At June 30, 2018, the carrying value of investment securities pledged was $7.7 billion, of which $7.5 billion was unencumbered and available to support additional borrowings.

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

	June 30, 2018						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
Agency residential MBS	$ (74)	$ 4,788	$ (597)	$ 15,386	$ (671)	$ 20,174	25
Other residential MBS	—	—	(9)	598	(9)	598	2
Agency commercial MBS	(15,872)	636,275	(14,915)	326,369	(30,787)	962,644	27
Total	$ (15,946)	$ 641,063	$ (15,521)	$ 342,353	$ (31,467)	$ 983,416	54
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (28,858)	$ 706,073	$ (19,262)	$ 290,706	$ (48,120)	$ 996,779	39
Agency residential MBS	(18,480)	680,228	(68,339)	1,200,314	(86,819)	1,880,542	49
Agency commercial MBS	(44,764)	1,275,745	(99,315)	1,727,911	(144,079)	3,003,656	82
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(25,527)	1,673,052	(58,670)	812,842	(84,197)	2,485,894	257
Tax-exempt nonprofit debentures	(412)	20,891	(518)	26,753	(930)	47,644	3
Total	$ (118,041)	$ 4,355,989	$ (246,104)	$ 4,058,526	$ (364,145)	$ 8,414,515	430

($ in thousands)	December 31, 2017						
	Less than 12 months		12 months or more		Total		
	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	$ —	$ —	$ (441)	$ 54,998	$ (441)	$ 54,998	1
Agency residential MBS	(5)	1,707	(414)	16,712	(419)	18,419	22
Other residential MBS	—	—	(28)	4,860	(28)	4,860	3
Agency commercial MBS	(8,316)	749,649	(6,210)	292,648	(14,526)	1,042,297	26
Mutual funds and marketable equity securities	(179)	17,821	—	—	(179)	17,821	1
Total	$ (8,500)	$ 769,177	$ (7,093)	$ 369,218	$ (15,593)	$1,138,395	53
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (11,550)	$ 664,869	$ (33,540)	$ 648,066	$ (45,090)	$1,312,935	48
Agency residential MBS	(2,976)	533,672	(36,769)	1,694,831	(39,745)	2,228,503	68
Other residential MBS	—	—	(11)	1,174	(11)	1,174	4
Agency commercial MBS	(13,819)	1,055,642	(58,911)	1,888,640	(72,730)	2,944,282	81
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(62)	27,652	(20,342)	958,526	(20,404)	986,178	103
Tax-exempt nonprofit debentures	(468)	48,420	—	—	(468)	48,420	3
Total	$ (28,875)	$2,330,255	$ (149,573)	$5,191,237	$ (178,448)	$7,521,492	307

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, 2018, the unrealized losses on the Bank's investments in U.S. Government-sponsored agency securities are primarily due to increases 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, 2018, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to increases 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, 2018, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to increases in market interest rates since the securities were purchased and are not due to the credit quality of the securities. The Bank monitors these securities regularly to determine if any changes in ratings have occurred and conducts its internal credit analysis to determine if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments.

There were no other-than-temporary impairment charges on securities during the quarters and six months ended June 30, 2018 and 2017.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Available-for-sale:				
Sales proceeds	$ 77,176	$ 49,252	$ 2,333,380	$ 221,046

The following table presents gains and losses on investment securities:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Available-for-sale:				
Gross realized gains on sales	$ —	$ —	$ 72,574	$ 10
Gross realized losses on sales	(1,290)	(602)	(64,084)	(2,047)
Equity (fair value):				
Net change in fair value	263	—	(320)	—
Total gain (loss) on investment securities, net	$ (1,027)	$ (602)	$ 8,170	$ (2,037)

The following table presents interest income on investment securities:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Interest income on tax-exempt securities	$ 73,973	$ 75,142	$ 152,154	$ 141,651
Interest income on taxable securities	60,019	55,293	120,108	106,842
Total	$ 133,992	$ 130,435	$ 272,262	$ 248,493

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, 2018		December 31, 2017	
($ in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Available-for-sale:				
Due in one year or less	$ 27	$ 26	$ 55,465	$ 55,024
Due after one year through five years	297,010	297,847	314,796	315,614
Due after five years through ten years	1,080,280	1,081,532	1,183,278	1,185,208
Due after ten years	815,316	784,368	855,939	841,925
Total debt securities	$ 2,192,633	$ 2,163,773	$ 2,409,478	$ 2,397,771
Held-to-maturity:				
Due in one year or less	$ 287,954	$ 292,555	$ 160,597	$ 162,994
Due after one year through five years	552,695	586,283	699,546	741,423
Due after five years through ten years	751,670	748,078	571,893	582,245
Due after ten years	12,691,752	12,550,925	14,725,909	15,016,083
Total debt securities	$ 14,284,071	$ 14,177,841	$ 16,157,945	$ 16,502,745

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, 2018 and December 31, 2017, approximately 50% and 51%, respectively, of the total loan portfolio was secured by California real estate. At June 30, 2018, approximately 68% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 69% at December 31, 2017.

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

($ in thousands)	June 30, 2018	December 31, 2017
Single family (1-4 units)	$ 34,276,540	$ 31,508,468
Home equity lines of credit	2,613,639	2,735,612
Multifamily (5+ units)	9,707,084	8,640,233
Commercial real estate	6,321,195	6,083,152
Single family construction	650,181	591,066
Multifamily/commercial construction	1,285,072	1,116,855
Total real estate mortgages	54,853,711	50,675,386
Business	9,603,626	8,295,224
Stock secured	1,380,255	1,083,553
Other secured	1,039,448	1,015,039
Unsecured	2,269,854	1,771,013
Total other loans	14,293,183	12,164,829
Total loans	69,146,894	62,840,215
Less:		
Allowance for loan losses	(397,377)	(365,932)
Loans, net	68,749,517	62,474,283
Single family loans held for sale	46,753	87,695
Total	$ 68,796,270	$ 62,561,978

As of June 30, 2018, the Bank had pledged $34.3 billion of loans to secure borrowings of $10.3 billion from the Federal Home Loan Bank (the "FHLB"), although only approximately $11.8 billion of collateral was required in connection with the outstanding FHLB advances.

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, 2018, $24.5 million were current, compared to $21.5 million at December 31, 2017.

($ 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, 2018								
Single Family (1-4 units):								
Purchased non-impaired	$ —	$ 2,209	$ 1,361	$ 3,570	$ 1,038,910	$ 1,042,480	$ —	$ 2,468
Originated non-impaired	1,715	—	798	2,513	33,207,733	33,210,246	—	1,686
Impaired	—	—	6,569	6,569	17,245	23,814	—	13,611
	1,715	2,209	8,728	12,652	34,263,888	34,276,540	—	17,765
Home Equity Lines of Credit:								
Purchased non-impaired	5,880	—	—	5,880	197,266	203,146	—	888
Originated non-impaired	4,484	—	474	4,958	2,393,055	2,398,013	—	474
Impaired	1,637	—	364	2,001	10,479	12,480	—	7,582
	12,001	—	838	12,839	2,600,800	2,613,639	—	8,944
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	90,369	90,369	—	—
Originated non-impaired	—	—	—	—	9,602,039	9,602,039	—	—
Impaired	—	—	—	—	14,676	14,676	—	4,398
	—	—	—	—	9,707,084	9,707,084	—	4,398
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	163,678	163,678	—	—
Originated non-impaired	—	—	—	—	6,148,744	6,148,744	—	276
Impaired	—	—	—	—	8,773	8,773	—	—
	—	—	—	—	6,321,195	6,321,195	—	276
Single Family Construction:								
Purchased non-impaired	—	—	—	—	2,915	2,915	—	—
Originated non-impaired	—	—	—	—	647,266	647,266	—	—
	—	—	—	—	650,181	650,181	—	—
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,165	1,165	—	—
Originated non-impaired	—	—	—	—	1,283,907	1,283,907	—	—
	—	—	—	—	1,285,072	1,285,072	—	—
Business:								
Purchased non-impaired	—	—	—	—	177,859	177,859	—	108
Originated non-impaired	—	2,750	—	2,750	9,400,092	9,402,842	—	228
Impaired	—	10,834	3,344	14,178	8,747	22,925	—	17,970
	—	13,584	3,344	16,928	9,586,698	9,603,626	—	18,306
Stock Secured:								
Purchased non-impaired	—	—	—	—	1,004	1,004	—	—
Originated non-impaired	—	—	—	—	1,379,251	1,379,251	—	—
	—	—	—	—	1,380,255	1,380,255	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	7,115	7,115	—	—
Originated non-impaired	—	—	—	—	1,032,333	1,032,333	—	—
	—	—	—	—	1,039,448	1,039,448	—	—
Unsecured:								
Purchased non-impaired	2	—	—	2	24,527	24,529	—	391
Originated non-impaired	219	127	—	346	2,244,653	2,244,999	—	531
Impaired	—	—	—	—	326	326	—	309
	221	127	—	348	2,269,506	2,269,854	—	1,231
Total	$ 13,937	$ 15,920	$ 12,910	$ 42,767	$ 69,104,127	$ 69,146,894	$ —	$ 50,920

($ 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, 2017								
Single Family (1-4 units):								
Purchased non-impaired	$ 596	$ 1,706	$ —	$ 2,302	$ 1,374,793	$ 1,377,095	$ —	$ 631
Originated non-impaired	371	—	166	537	30,104,977	30,105,514	—	1,070
Impaired	—	—	10,216	10,216	15,643	25,859	—	15,196
	967	1,706	10,382	13,055	31,495,413	31,508,468	—	16,897
Home Equity Lines of Credit:								
Purchased non-impaired	246	—	—	246	238,348	238,594	—	918
Originated non-impaired	6,105	—	474	6,579	2,477,605	2,484,184	—	474
Impaired	2,553	1,119	1,605	5,277	7,557	12,834	—	7,193
	8,904	1,119	2,079	12,102	2,723,510	2,735,612	—	8,585
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	116,822	116,822	—	—
Originated non-impaired	—	—	—	—	8,508,385	8,508,385	—	—
Impaired	—	—	—	—	15,026	15,026	—	4,651
	—	—	—	—	8,640,233	8,640,233	—	4,651
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	201,202	201,202	—	—
Originated non-impaired	—	—	—	—	5,868,912	5,868,912	—	286
Impaired	—	—	—	—	13,038	13,038	—	—
	—	—	—	—	6,083,152	6,083,152	—	286
Single Family Construction:								
Purchased non-impaired	2,914	—	—	2,914	—	2,914	—	—
Originated non-impaired	—	—	—	—	588,152	588,152	—	—
	2,914	—	—	2,914	588,152	591,066	—	—
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,167	1,167	—	—
Originated non-impaired	—	—	—	—	1,115,688	1,115,688	—	—
	—	—	—	—	1,116,855	1,116,855	—	—
Business:								
Purchased non-impaired	23	—	—	23	153,462	153,485	—	129
Originated non-impaired	1,638	1,799	—	3,437	8,128,329	8,131,766	—	620
Impaired	—	—	—	—	9,973	9,973	—	5,016
	1,661	1,799	—	3,460	8,291,764	8,295,224	—	5,765
Stock Secured:								
Purchased non-impaired	—	—	—	—	3,578	3,578	—	—
Originated non-impaired	—	—	—	—	1,079,975	1,079,975	—	—
	—	—	—	—	1,083,553	1,083,553	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	7,941	7,941	—	—
Originated non-impaired	—	—	—	—	1,007,098	1,007,098	—	—
	—	—	—	—	1,015,039	1,015,039	—	—
Unsecured:								
Purchased non-impaired	—	—	—	—	27,476	27,476	—	314
Originated non-impaired	4	—	—	4	1,742,608	1,742,612	—	250
Impaired	—	—	—	—	925	925	—	908
	4	—	—	4	1,771,009	1,771,013	—	1,472
Total	$14,450	$ 4,624	$ 12,461	$ 31,535	$ 62,808,680	$ 62,840,215	$ —	$ 37,656

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)	**2018**	**2017**	**2018**	**2017**
Actual interest income recognized	$ —	$ —	$ —	$ —
Interest income under original terms	$ 596	$ 518	$ 1,027	$ 998

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 of the Bank's credit position at some future date. However, these loans do not expose the Bank to sufficient risk to warrant adverse classification.

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

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

The 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, 2018					
Single Family (1-4 units):					
Purchased non-impaired	$ 1,019,541	$ 3,875	$ 19,064	$ —	$ 1,042,480
Originated non-impaired	33,192,421	3,632	14,193	—	33,210,246
Impaired	9,738	—	14,076	—	23,814
	34,221,700	7,507	47,333	—	34,276,540
Home Equity Lines of Credit:					
Purchased non-impaired	200,053	1,341	1,752	—	203,146
Originated non-impaired	2,395,549	1,564	900	—	2,398,013
Impaired	1,585	—	10,895	—	12,480
	2,597,187	2,905	13,547	—	2,613,639
Multifamily (5+ units):					
Purchased non-impaired	90,242	—	127	—	90,369
Originated non-impaired	9,602,039	—	—	—	9,602,039
Impaired	10,278	—	4,398	—	14,676
	9,702,559	—	4,525	—	9,707,084
Commercial Real Estate:					
Purchased non-impaired	160,898	—	2,780	—	163,678
Originated non-impaired	6,142,119	4,033	2,592	—	6,148,744
Impaired	4,273	—	4,500	—	8,773
	6,307,290	4,033	9,872	—	6,321,195
Single Family Construction:					
Purchased non-impaired	—	—	2,915	—	2,915
Originated non-impaired	645,460	1,806	—	—	647,266
	645,460	1,806	2,915	—	650,181
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,165	—	1,165
Originated non-impaired	1,283,907	—	—	—	1,283,907
	1,283,907	—	1,165	—	1,285,072
Business:					
Purchased non-impaired	173,949	1,888	1,914	108	177,859
Originated non-impaired	9,367,621	14,869	20,186	166	9,402,842
Impaired	—	4,838	18,087	—	22,925
	9,541,570	21,595	40,187	274	9,603,626
Stock Secured:					
Purchased non-impaired	1,004	—	—	—	1,004
Originated non-impaired	1,379,251	—	—	—	1,379,251
	1,380,255	—	—	—	1,380,255
Other Secured:					
Purchased non-impaired	7,115	—	—	—	7,115
Originated non-impaired	1,032,084	249	—	—	1,032,333
	1,039,199	249	—	—	1,039,448
Unsecured:					
Purchased non-impaired	23,985	—	153	391	24,529
Originated non-impaired	2,243,014	—	1,454	531	2,244,999
Impaired	—	309	17	—	326
	2,266,999	309	1,624	922	2,269,854
Total	$ 68,986,126	$ 38,404	$ 121,168	$ 1,196	$ 69,146,894

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2017					
Single Family (1-4 units):					
Purchased non-impaired	$ 1,360,496	$ 3,927	$ 12,672	$ —	$ 1,377,095
Originated non-impaired	30,090,559	2,474	12,481	—	30,105,514
Impaired	9,856	162	15,841	—	25,859
	31,460,911	6,563	40,994	—	31,508,468
Home Equity Lines of Credit:					
Purchased non-impaired	229,732	6,964	1,898	—	238,594
Originated non-impaired	2,482,189	764	1,231	—	2,484,184
Impaired	769	766	11,299	—	12,834
	2,712,690	8,494	14,428	—	2,735,612
Multifamily (5+ units):					
Purchased non-impaired	116,822	—	—	—	116,822
Originated non-impaired	8,502,516	5,869	—	—	8,508,385
Impaired	10,235	—	4,791	—	15,026
	8,629,573	5,869	4,791	—	8,640,233
Commercial Real Estate:					
Purchased non-impaired	192,907	—	8,295	—	201,202
Originated non-impaired	5,839,741	11,415	17,756	—	5,868,912
Impaired	8,538	—	4,500	—	13,038
	6,041,186	11,415	30,551	—	6,083,152
Single Family Construction:					
Purchased non-impaired	—	—	2,914	—	2,914
Originated non-impaired	587,153	999	—	—	588,152
	587,153	999	2,914	—	591,066
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,167	—	1,167
Originated non-impaired	1,115,688	—	—	—	1,115,688
	1,115,688	—	1,167	—	1,116,855
Business:					
Purchased non-impaired	151,435	366	1,555	129	153,485
Originated non-impaired	8,057,791	12,818	61,157	—	8,131,766
Impaired	—	4,913	5,060	—	9,973
	8,209,226	18,097	67,772	129	8,295,224
Stock Secured:					
Purchased non-impaired	3,578	—	—	—	3,578
Originated non-impaired	1,079,975	—	—	—	1,079,975
	1,083,553	—	—	—	1,083,553
Other Secured:					
Purchased non-impaired	7,941	—	—	—	7,941
Originated non-impaired	1,006,849	249	—	—	1,007,098
	1,014,790	249	—	—	1,015,039
Unsecured:					
Purchased non-impaired	27,005	—	157	314	27,476
Originated non-impaired	1,739,163	—	3,199	250	1,742,612
Impaired	—	—	925	—	925
	1,766,168	—	4,281	564	1,771,013
Total	$ 62,620,938	$ 51,686	$ 166,898	$ 693	$ 62,840,215

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

As of June 30, 2018 and December 31, 2017, the Bank did not have any residential real estate owned (acquired through foreclosure).

The carrying amount of residential mortgage loans in the process of foreclosure was $6.0 million and $5.5 million at June 30, 2018 and December 31, 2017, 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.

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 purchased non-impaired and originated non-impaired loans that subsequently became impaired are evaluated under ASC 310-10-35. If determined necessary, a specific reserve will be recorded for these loans. In addition, 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, and problem loan trends, along with other external factors, such as competition and the legal and regulatory environment. The allocation to the individual loan portfolios considers the qualitative factors relevant to each portfolio, the degree to which the relevant qualitative factors impacted each loan portfolio, and relative portfolio balances.

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

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Business	Stock Secured	Other Secured	Unsecured	Total
At or for the Quarter Ended June 30, 2018											
Rollforward of allowance for loan losses:											
Balance at beginning of period	$ 53,510	$ 12,031	$ 70,871	$ 49,967	$ 3,106	$ 11,747	$ 145,979	$ 7,368	$ 7,140	$ 17,059	$ 378,778
Provision	3,258	834	3,656	933	94	167	6,832	971	596	2,029	19,370
Charge-offs	—	(351)	—	—	—	—	(557)	—	—	—	(908)
Recoveries	2	24	—	—	—	—	24	—	—	87	137
Balance at end of period	$ 56,770	$ 12,538	$ 74,527	$ 50,900	$ 3,200	$ 11,914	$ 152,278	$ 8,339	$ 7,736	$ 19,175	$ 397,377
At or for the Six Months Ended June 30, 2018											
Rollforward of allowance for loan losses:											
Balance at beginning of period	$ 52,011	$ 13,046	$ 67,605	$ 52,268	$ 2,758	$ 10,513	$ 137,956	$ 6,596	$ 7,850	$ 15,329	$ 365,932
Provision (reversal of provision)	4,754	(218)	6,922	(1,368)	442	1,401	14,758	1,743	(114)	4,050	32,370
Charge-offs	—	(351)	—	—	—	—	(561)	—	—	(303)	(1,215)
Recoveries	5	61	—	—	—	—	125	—	—	99	290
Balance at end of period	$ 56,770	$ 12,538	$ 74,527	$ 50,900	$ 3,200	$ 11,914	$ 152,278	$ 8,339	$ 7,736	$ 19,175	$ 397,377
Allowance for loan losses by impairment methodology:											
Purchased non-impaired	$ 1,481	$ 182	$ 13	$ 139	$ 137	$ 3	$ 466	$ —	$ —	$ 429	$ 2,850
Originated non-impaired	55,289	12,356	74,514	50,554	3,063	11,911	151,605	8,339	7,736	18,746	394,113
Impaired	—	—	—	207	—	—	207	—	—	—	414
Total	$ 56,770	$ 12,538	$ 74,527	$ 50,900	$ 3,200	$ 11,914	$ 152,278	$ 8,339	$ 7,736	$ 19,175	$ 397,377
Recorded investment in loans:											
Purchased non-impaired	$ 1,042,480	$ 203,146	$ 90,369	$ 163,678	$ 2,915	$ 1,165	$ 177,859	$ 1,004	$ 7,115	$ 24,529	$ 1,714,260
Originated non-impaired	33,210,246	2,398,013	9,602,039	6,148,744	647,266	1,283,907	9,402,842	1,379,251	1,032,333	2,244,999	67,349,640
Impaired	23,814	12,480	14,676	8,773	—	—	22,925	—	—	326	82,994
Total	$ 34,276,540	$ 2,613,639	$ 9,707,084	$ 6,321,195	$ 650,181	$ 1,285,072	$ 9,603,626	$ 1,380,255	$ 1,039,448	$ 2,269,854	$ 69,146,894

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Business	Stock Secured	Other Secured	Unsecured	Total
At or for the 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

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 $13.8 million and $14.2 million at June 30, 2018 and December 31, 2017, 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, 2018							
Single family (1-4 units)	$ 23,814	$ 24,242	$ 23,814	$ 24,242	$ —	$ —	$ —
Home equity lines of credit	12,480	12,596	12,480	12,596	—	—	—
Multifamily (5+ units)	14,676	14,888	14,676	14,888	—	—	—
Commercial real estate	8,773	8,843	4,273	4,343	4,500	4,500	207
Business	22,925	23,096	18,087	18,220	4,838	4,876	207
Unsecured	326	455	326	455	—	—	—
Total	$ 82,994	$ 84,120	$ 73,656	$ 74,744	$ 9,338	$ 9,376	$ 414
At December 31, 2017							
Single family (1-4 units)	$ 25,859	$ 26,307	$ 25,053	$ 25,491	$ 806	$ 816	$ 64
Home equity lines of credit	12,834	12,970	10,329	10,472	2,505	2,498	250
Multifamily (5+ units)	15,026	15,282	14,887	15,142	139	140	14
Commercial real estate	13,038	13,156	8,538	8,656	4,500	4,500	130
Business	9,973	10,972	5,060	6,009	4,913	4,963	200
Unsecured	925	1,057	925	1,057	—	—	—
Total	$ 77,655	$ 79,744	$ 64,792	$ 66,827	$ 12,863	$ 12,917	$ 658

	Quarter Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
($ 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)	$ 26,693	$ 120	$ 38,596	$ 294	$ 26,557	$ 225	$ 38,884	$ 466
Home equity lines of credit	13,234	82	13,461	100	13,049	151	13,651	164
Multifamily (5+ units)	14,733	132	14,989	232	14,808	265	16,297	658
Commercial real estate	8,785	106	11,067	341	9,721	227	11,360	598
Business	20,103	114	11,919	220	16,237	971	13,153	420
Unsecured	494	6	1,245	17	675	12	948	29
Total	$ 84,042	$ 560	$ 91,277	$ 1,204	$ 81,047	$ 1,851	$ 94,293	$ 2,335

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, 2018			At December 31, 2017		
($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total	Restructured - Nonaccrual	Restructured - Accruing	Total
Single Family (1-4 units):						
Purchased non-impaired	$ —	$ 469	$ 469	$ —	$ 479	$ 479
Impaired	3,488	4,082	7,570	3,398	4,112	7,510
	3,488	4,551	8,039	3,398	4,591	7,989
Home Equity Lines of Credit:						
Impaired	6,465	2,183	8,648	4,907	2,968	7,875
Multifamily (5+ units):						
Purchased non-impaired	—	—	—	—	282	282
Commercial Real Estate:						
Purchased non-impaired	—	217	217	—	219	219
Impaired	—	4,500	4,500	—	4,500	4,500
	—	4,717	4,717	—	4,719	4,719
Business:						
Originated non-impaired	—	—	—	620	—	620
Impaired	3,792	117	3,909	5,016	45	5,061
	3,792	117	3,909	5,636	45	5,681
Unsecured:						
Impaired	309	—	309	802	—	802
Total	$ 14,054	$ 11,568	$25,622	$ 14,743	$ 12,605	$27,348

During the quarters and six months ended June 30, 2018 and 2017, troubled debt restructurings were primarily modified through payment deferrals, extensions of the maturity date or reductions in interest rate, both temporary and permanent. The following table presents the recorded investment in loans modified in troubled debt restructurings during the periods indicated:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Single Family (1-4 units):				
Purchased non-impaired	$ 2,636	$ —	$ 2,636	$ —
Home Equity Lines of Credit:				
Purchased non-impaired	1,242	—	1,242	—
Originated non-impaired	926	—	926	—
Impaired	—	—	3,331	4,388
	2,168	—	5,499	4,388
Business:				
Impaired	4,799	—	4,799	—
Unsecured:				
Originated non-impaired	—	—	—	843
Total	$ 9,603	$ —	$ 12,934	$ 5,231

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, 2018 and 2017 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 by the year they are sold, by product type (fixed, hybrid or adjustable) and interest rate coupon range. Hybrid loans are further stratified by their initial fixed-rate period.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2018	2017	2018	2017
Total loans originated	$ 9,352,813	$ 7,298,384	$ 16,680,273	$ 12,939,521
Single family loans originated	$ 3,125,316	$ 3,053,014	$ 5,452,028	$ 5,569,688
Loans sold:				
Flow sales:				
Agency	$ 7,724	$ 34,261	$ 21,771	$ 83,993
Non-agency	32,865	72,829	88,520	129,031
Total flow sales	40,589	107,090	110,291	213,024
Bulk sales:				
Non-agency	681,332	332,735	773,041	872,556
Total loans sold	$ 721,921	$ 439,825	$ 883,332	$ 1,085,580
Gain on sale of loans:				
Amount	$ 4,045	$ 841	$ 4,734	$ 4,205
Gain as a percentage of loans sold	0.56%	0.19%	0.54%	0.39%

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)	2018	2017	2018	2017
Loans serviced for others:				
Beginning balance	$ 12,191,611	$ 11,838,059	$ 12,495,321	$ 11,655,453
Loans sold	721,921	439,825	883,332	1,085,580
Repayments	(539,257)	(485,846)	(985,038)	(948,995)
Loans purchased	—	(617)	(19,340)	(617)
Ending balance	$ 12,374,275	$ 11,791,421	$ 12,374,275	$ 11,791,421
MSRs:				
Beginning balance	$ 63,093	$ 61,988	$ 66,139	$ 62,410
Additions due to new loans sold	3,456	3,288	4,547	7,500
Amortization expense	(4,453)	(3,887)	(8,579)	(8,521)
Reductions due to purchases	—	(6)	(11)	(6)
Ending balance	$ 62,096	$ 61,383	$ 62,096	$ 61,383
Estimated fair value of MSRs	$ 91,785	$ 85,187	$ 91,785	$ 85,187
MSRs as a percent of loans serviced	0.50%	0.52%	0.50%	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	1.98x	2.05x	2.01x	2.06x

There was no valuation allowance related to MSRs as of or during the quarters and six months ended June 30, 2018 and 2017.

The following table presents loan servicing fees:

($ in thousands)	Quarter Ended June 30, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Contractually specified servicing fees	$ 7,639	$ 7,464	$ 15,284	$ 14,869
Late charges and ancillary fees, net of costs	$ (114)	$ 372	$ (230)	$ 638

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, 2018	December 31, 2017
Fair value of MSRs	$ 91,785	$ 93,009
Weighted average prepayment speed (CPR)	14.9%	13.1%
Impact on fair value of 10% adverse change	$ (4,361)	$ (4,516)
Impact on fair value of 20% adverse change	$ (8,367)	$ (8,644)
Weighted average discount rate	13.1%	13.1%
Impact on fair value of 10% adverse change	$ (3,455)	$ (3,532)
Impact on fair value of 20% adverse change	$ (6,662)	$ (6,810)

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 variable interest entities ("VIEs") includes its interests purchased in securitizations, tax credit investments and other investments.

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

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

As of June 30, 2018, the Bank held no variable interests in real estate mortgage investment conduits ("REMICs"). As of December 31, 2017, the Bank held variable interests in one REMIC (formed in 2001) sponsored by the Bank, which was not consolidated.

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, 2018			
Assets:			
Tax credit investments	$ 1,054,536	$ —	$ 1,054,536
Other investments	29,890	—	29,890
Total Assets	1,084,426	—	1,084,426
Liabilities:			
Unfunded commitments—tax credit investments	350,239	—	350,239
Unfunded commitments—other investments	3,762	—	3,762
Total Liabilities	354,001	—	354,001
Net Assets	$ 730,425	$ —	$ 730,425
December 31, 2017			
Assets:			
Investment securities held-to-maturity	$ 1,631	$ —	$ 1,631
Tax credit investments	1,107,546	—	1,107,546
Other investments	19,560	—	19,560
Total Assets	1,128,737	—	1,128,737
Liabilities:			
Unfunded commitments—tax credit investments	431,132	—	431,132
Unfunded commitments—other investments	3,991	—	3,991
Total Liabilities	435,123	—	435,123
Net Assets	$ 693,614	$ —	$ 693,614

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, 2018 and December 31, 2017.

Note 6. Goodwill and Intangible Assets

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

	June 30, 2018			December 31, 2017		
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Intangible assets:						
Customer relationship intangibles	$ 133,100	$ (96,515)	$ 36,585	$ 133,100	$ (89,834)	$ 43,266
Core deposit intangibles	87,550	(83,932)	3,618	87,550	(81,942)	5,608
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets (excluding MSRs)	$ 263,550	$ (180,447)	$ 83,103	$ 263,550	$ (171,776)	$ 91,774
MSRs [(1)]	$ 141,425	$ (79,329)	$ 62,096	$ 137,196	$ (71,057)	$ 66,139
Goodwill	$ 198,447			$ 198,447		

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

Amortization of intangible assets (excluding MSRs) was $4.2 million and $8.7 million for the quarter and six months ended June 30, 2018, respectively, and $5.3 million and $10.9 million for the quarter and six months ended June 30, 2017, respectively.

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, 2016	$ 56,165	$ 147,012	$ 203,177
Gradifi acquisition adjustment	(4,730)	—	(4,730)
Balance as of December 31, 2017 and June 30, 2018	$ 51,435	$ 147,012	$ 198,447

The following table presents the estimated future amortization for amortizable intangible assets as of June 30, 2018. The projections of amortization expense are based on existing asset balances as of June 30, 2018. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	Core deposit intangibles	MSRs
July 1 - December 31, 2018	$ 6,022	$ 1,555	$ 8,319
2019	10,063	1,809	12,369
2020	7,504	254	9,524
2021	5,527	—	7,333
2022	3,671	—	5,647
2023	2,235	—	4,348

Note 7. Borrowings

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

	Carrying Values		Interest Expense			
			Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	June 30, 2018	December 31, 2017	2018	2017	2018	2017
Short-term borrowings:						
FHLB advances	$ 600,000	$ 100,000	$ 6,651	$ 3,392	$ 9,160	$ 3,428
Other	—	—	1	306	1	789
Total	600,000	100,000	6,652	3,698	9,161	4,217
Long-term debt:						
FHLB advances	9,650,000	8,300,000	39,045	24,439	71,845	45,054
Senior notes [(1)]	895,572	894,723	5,925	3,469	11,849	6,046
Subordinated notes [(1)]	777,278	777,084	9,097	9,093	18,193	16,008
Total	11,322,850	9,971,807	54,067	37,001	101,887	67,108
Other long-term debt:						
Debt related to VIEs	—	—	—	137	—	270
Total borrowings	$ 11,922,850	$ 10,071,807	$ 60,719	$ 40,836	$ 111,048	$ 71,595

[(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, 2018, the Bank had short-term FHLB advances of $600.0 million. At June 30, 2018, all of the long-term FHLB advances were fixed-rate for a specific term. At June 30, 2018, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

($ in thousands)	June 30, 2018	
FHLB advances maturing in:	Amount	Rate
July 1 - December 31, 2018	$ 1,550,000	1.53%
2019	3,650,000	1.63%
2020	3,850,000	2.23%
2021 and thereafter	600,000	2.10%
Total	$ 9,650,000	1.88%

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $296.5 million and $282.2 million at June 30, 2018 and December 31, 2017, respectively. At June 30, 2018 and December 31, 2017, 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, 2018:

	June 30, 2018		
($ in thousands)	**Carrying Value (1)**	**Rate**	**Maturity Date**
Senior notes:			
Fixed rate, issued June 2014	$ 399,186	2.375%	June 2019
Fixed rate, issued June 2017	$ 496,386	2.500%	June 2022
Subordinated notes:			
Fixed rate, issued August 2016	$ 387,699	4.375%	August 2046
Fixed rate, issued February 2017	$ 389,579	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 clients. In these transactions, the Bank offsets the client exposure with another financial institution counterparty, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The Bank does retain credit risk, both to the client and the financial institution counterparty, which is evaluated and managed by the Bank in the normal course of its operations. Management does not currently anticipate non-performance by any of the counterparties. The amounts presented in the table below include the foreign exchange contracts with both the client and the financial institution counterparties.

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

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

	June 30, 2018			December 31, 2017		
		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	$ 2,588,047	$ 17,283	$ 13,090	$ 1,884,142	$ 23,170	$ 15,780
Interest rate contracts with borrowers	$ 44,868	9	127	$ 34,099	11	91
Forward loan sale commitments	$ 89,849	128	10	$ 121,556	91	11
Total		$ 17,420	$ 13,227		$ 23,272	$ 15,882

(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, 2018								
Derivative assets:								
Foreign exchange contracts	$ 17,283	$ 3,584	$ 13,699	$ —	$ 13,699	$ 3,461	$ 9,430	$ 808
Derivative liabilities:								
Foreign exchange contracts	$ 13,090	$ 9,629	$ 3,461	$ —	$ 3,461	$ 3,461	$ —	$ —
December 31, 2017								
Derivative assets:								
Foreign exchange contracts	$ 23,170	$ 14,471	$ 8,699	$ —	$ 8,699	$ 8,699	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 15,780	$ 2,404	$ 13,376	$ —	$ 13,376	$ 8,699	$ 4,677	$ —

[1] Collateral presented in the table above is limited to the amount required to settle the net derivative position and does not include any excess collateral.

Note 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 are valued using quoted market prices from the active exchange on which the securities are traded. Mutual funds are valued using the net asset value ("NAV") per share using quoted market prices. 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. Prior to January 1, 2018, the Bank's mutual funds and marketable equity securities were classified as securities available-for-sale, and were valued using quoted market prices from the active exchange on which the securities are traded.

Equity securities measured at fair value: Following the adoption of ASU 2016-01 on January 1, 2018, the Bank's mutual funds and marketable equity securities continue to be measured at fair value, but are no longer classified as securities available-for-sale. These securities are valued using quoted market prices from the active exchange on which the securities are traded.

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, 2018				
Assets:				
Investment securities available-for-sale:				
Agency residential MBS	$ —	$ 29,125	$ —	$ 29,125
Other residential MBS	—	4,721	—	4,721
Agency commercial MBS	—	2,082,479	—	2,082,479
Securities of U.S. states and political subdivisions—taxable	—	—	47,448	47,448
Equity securities (fair value):				
Mutual funds and marketable equity securities	19,997	—	—	19,997
Derivative assets	—	17,420	—	17,420
Total	$ 19,997	$ 2,133,745	$ 47,448	$ 2,201,190
Liabilities:				
Derivative liabilities	$ —	$ 13,227	$ —	$ 13,227
December 31, 2017				
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	$ 54,998	$ —	$ —	$ 54,998
Agency residential MBS	—	34,574	—	34,574
Other residential MBS	—	4,860	—	4,860
Agency commercial MBS	—	2,255,890	—	2,255,890
Securities of U.S. states and political subdivisions—taxable	—	—	47,449	47,449
Mutual funds and marketable equity securities	20,317	—	—	20,317
Derivative assets	—	23,272	—	23,272
Total	$ 75,315	$ 2,318,596	$ 47,449	$ 2,441,360
Liabilities:				
Derivative liabilities	$ —	$ 15,882	$ —	$ 15,882

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, 2018 and 2017.

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)	2018	2017	2018	2017
Available-for-sale securities of U.S. states and political subdivisions—taxable:				
Balance at beginning of period	$ 47,448	$ 47,450	$ 47,449	$ 47,493
Unrealized losses included in other comprehensive income	(2)	(2)	(9)	(49)
Accretion included in interest income	2	2	8	6
Balance at end of period	$ 47,448	$ 47,450	$ 47,448	$ 47,450

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, 2018			
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,448	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps
December 31, 2017			
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,449	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.

Loans held for sale: The fair value of loans held for sale is derived from actual prices at which loans were committed for sale adjusted for loan servicing value.

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

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Fair value is generally based upon independent market prices or appraised values of the collateral, adjusted for estimated costs to sell.

The following table presents the assets measured at fair value on a nonrecurring basis that were held on the balance sheet at June 30, 2018 and December 31, 2017:

($ in thousands)	Level 1	Level 2	Level 3	Total
June 30, 2018				
Assets:				
Real estate secured mortgages	$ —	$ —	$ 52	$ 52
December 31, 2017				
Assets:				
Real estate secured mortgages	$ —	$ —	$ 1,078	$ 1,078

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, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Real estate secured mortgages	$ (349)	$ (75)	$ (349)	$ (361)

Fair Value of Financial Instruments

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

	June 30, 2018				
	Carrying Amount	Fair Value			
($ in thousands)		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 3,993,226	$ 3,993,226	$ 3,993,226	$ —	$ —
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	1,044,899	996,779	—	996,779	—
Agency residential MBS	1,967,361	1,880,542	—	1,880,542	—
Agency commercial MBS	3,291,361	3,147,313	—	3,147,313	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	7,782,243	7,943,068	—	7,837,490	105,578
Tax-exempt nonprofit debentures	145,228	148,071	—	—	148,071
Taxable municipal securities	52,979	62,068	—	62,068	—
Loans, net:					
Real estate secured mortgages	54,643,862	52,194,970	—	32,903,393	19,291,577
Other loans	14,105,655	13,059,160	—	—	13,059,160
Loans held for sale	46,753	46,767	—	46,767	—
Investments in life insurance	1,349,823	1,349,823	—	—	1,349,823
MSRs	62,096	91,785	—	—	91,785
FHLB stock	296,528	296,528	—	—	296,528
Liabilities:					
Deposits: [1]					
Certificates of deposit	$ 10,198,556	$ 10,204,837	$ —	$ —	$ 10,204,837
Short-term borrowings	600,000	600,000	—	600,000	—
Long-term FHLB advances	9,650,000	9,577,093	—	9,577,093	—
Senior notes	895,572	878,872	—	878,872	—
Subordinated notes	777,278	769,587	—	769,587	—

[1] The Bank adopted ASU 2016-01 effective January 1, 2018 and is no longer required to disclose the fair value of deposits with no maturity.

	December 31, 2017				
	Carrying Amount	Fair Value			
($ in thousands)		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 2,297,021	$ 2,297,021	$ 2,297,021	$ —	$ —
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	1,400,025	1,354,936	—	1,354,936	—
Agency residential MBS	2,734,819	2,698,045	—	2,698,045	—
Other residential MBS	1,631	1,654	—	1,654	—
Agency commercial MBS	3,017,012	2,944,282	—	2,944,282	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	8,804,924	9,289,702	—	9,181,038	108,664
Tax-exempt nonprofit debentures	146,529	150,527	—	—	150,527
Taxable municipal securities	53,005	63,599	—	63,599	—
Loans, net:					
Real estate secured mortgages	50,477,185	48,770,074	—	30,634,418	18,135,656
Other loans	11,997,098	11,125,170	—	—	11,125,170
Loans held for sale	87,695	87,989	—	87,989	—
Investments in life insurance	1,330,652	1,330,652	—	—	1,330,652
MSRs	66,139	93,009	—	—	93,009
FHLB stock	282,150	282,150	—	—	282,150
Liabilities:					
Deposits:					
Deposits with no maturity	$ 61,683,914	$ 61,683,914	$ —	$ 61,683,914	$ —
Certificates of deposit	7,234,794	7,258,022	—	—	7,258,022
Short-term borrowings	100,000	100,000	—	100,000	—
Long-term FHLB advances	8,300,000	8,254,221	—	8,254,221	—
Senior notes	894,723	892,847	—	892,847	—
Subordinated notes	777,084	827,782	—	827,782	—

Note 10. Preferred Stock

At June 30, 2018, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 1,140,000 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, 2018	December 31, 2017
5.625% Noncumulative Perpetual Series C Preferred Stock—No shares authorized, issued or outstanding at June 30, 2018; 172,500 shares authorized; 150,000 shares issued and outstanding at December 31, 2017	$ —	$ 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	200,000	200,000
5.50% Noncumulative Perpetual Series I Preferred Stock—300,000 shares authorized, issued and outstanding at June 30, 2018 and no shares authorized, issued or outstanding at December 31, 2017	300,000	—
Total	$ 1,140,000	$ 990,000

The Bank's preferred stock activity for 2018 was as follows:

On January 2, 2018 (the "Series C Redemption Date"), the Bank redeemed all of the outstanding shares of its 5.625% Noncumulative Perpetual Series C Preferred Stock ("Series C Preferred Stock"). All 6,000,000 depositary shares, representing a 1/40th interest in the Series C Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $150.0 million plus all accrued and unpaid dividends as of the Series C Redemption Date. As of June 30, 2018, there are no outstanding shares of Series C Preferred Stock. No further dividends will be declared on the Series C Preferred Stock.

On June 12, 2018, the 5.50% Noncumulative Perpetual Series I Preferred Stock ("Series I Preferred Stock") was issued. Net proceeds, after underwriting discounts and expenses, were $290.2 million. The public offering consisted of 12,000,000 depositary shares, each representing a 1/40th interest in a share of the Series I Preferred Stock, at a public offering price of $25.00 per depositary share. The Series I Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after June 30, 2023.

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)	**2018**	**2017**	**2018**	**2017**
6.70% Noncumulative Perpetual Series A Preferred Stock	$ —	$ —	$ —	$ 1,117
6.20% Noncumulative Perpetual Series B Preferred Stock	—	1,980	—	4,305
5.625% Noncumulative Perpetual Series C Preferred Stock	—	2,110	60	4,219
5.50% Noncumulative Perpetual Series D Preferred Stock	2,613	2,612	5,226	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	4,125
5.125% Noncumulative Perpetual Series H Preferred Stock	2,563	655	5,124	655
5.50% Noncumulative Perpetual Series I Preferred Stock	—	—	—	—
Total	$ 12,163	$ 14,344	$ 24,385	$ 29,496

Note 11. Common Stock and Stock Plans

Common Stock

At June 30, 2018, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At June 30, 2018, the Bank had 162,638,209 shares issued and outstanding.

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. 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, 2018, a total of 68,953 shares were sold to employees, and the compensation expense for the Purchase Plan was approximately $647,000.

First Republic Bank 2017 Omnibus Award Plan

In May 2017, the Bank adopted the 2017 Omnibus 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 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. Upon termination of service, unvested awards are generally forfeited. At June 30, 2018, the Bank had 2,779,739 shares reserved for future stock award grants.

Stock Options

At June 30, 2018, the Bank had stock options outstanding of 2,035,128. 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. As of June 30, 2018, all options are fully vested.

The following table presents information related to outstanding stock options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($ in thousands)
Options outstanding as of December 31, 2017	2,386,352	$15.42		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(351,224)	$15.54		
Options outstanding as of June 30, 2018	2,035,128	$15.40	2.0 years	$165,635

The intrinsic value of all options exercised was $28.1 million for the six months ended June 30, 2018.

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"). The majority of RSUs vest evenly over four years or five years, however, certain RSUs vest in full after one year, or vest evenly over three 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, 2017	1,901,088	$80.33		442,825	$69.38	
Granted	907,145	$99.34		18,742	$98.17	
Vested	(614,469)	$73.55		(187,734)	$69.68	
Canceled or forfeited	(25,420)	$86.44		(4,230)	$66.84	
Nonvested awards as of June 30, 2018	2,168,344	$90.14	3.4 years	269,603	$71.22	1.5 years

The total fair value of Performance RSUs and Time RSUs that vested in the six months ended June 30, 2018 was $79.4 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 three years or 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, 2017	738,750	$80.34	
Granted	434,484	$96.81	
Vested	(219,650)	$71.72	
Canceled or forfeited	—	—	
Nonvested awards as of June 30, 2018	953,584	$89.83	3.5 years

The total fair value of PSUs that vested in the six months ended June 30, 2018 was $22.0 million. No cash consideration is 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") and vest on a quarterly basis through the end of 2019, provided that certain performance criteria are achieved for a specified performance period, such as return on average tangible common equity, return on average tangible assets and nonperforming asset ratios. 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, 2017	35,000	$31.80	
Granted	—	—	
Vested	(8,750)	$31.80	
Canceled or forfeited	—	—	
Nonvested awards as of June 30, 2018	26,250	$31.80	1.5 years

The total fair value of Performance RSAs that vested in the six months ended June 30, 2018 was approximately $829,000. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

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

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

	Quarter Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
RSUs	$ 15,002	$ 4,471	$ 12,211	$ 5,153	$ 30,645	$ 9,132	$ 23,576	$ 9,949
PSUs	4,938	1,471	3,322	1,402	9,480	2,825	6,322	2,668
RSAs	139	42	193	81	278	83	505	213
Total	$ 20,079	$ 5,984	$ 15,726	$ 6,636	$ 40,403	$ 12,040	$ 30,403	$ 12,830

	June 30, 2018	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$ 200,229	3.4
PSUs	77,359	3.6
RSAs	833	1.5
Total	$ 278,421	

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,			
	2018		2017		2018		2017	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock Options	146,395	$ 3,383	220,405	$ 7,099	351,224	$ 7,807	529,269	$ 16,316
RSUs	786,878	6,458	626,260	8,764	802,203	6,644	729,510	11,368
PSUs	219,650	1,958	81,500	1,053	219,650	1,958	81,500	1,053
RSAs	4,375	86	9,375	275	8,750	167	38,750	1,033
Total	1,157,298	$ 11,885	937,540	$ 17,191	1,381,827	$ 16,576	1,379,029	$ 29,770

Note 12. Accumulated Other Comprehensive Income (Loss)

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

($ in thousands)	Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total	Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total
	Quarter Ended June 30, 2018			Six Months Ended June 30, 2018		
Beginning balance	**$ (16,517)**	**$ 2,213**	**$ (14,304)**	**$ (6,472)**	**$ 2,632**	**$ (3,840)**
Net unrealized gain on securities transferred from held-to-maturity to available-for-sale	—	—	—	17,528	—	17,528
Related tax effect	—	—	—	(5,223)	—	(5,223)
Net unrealized loss on securities available-for-sale	(5,818)	—	(5,818)	(8,663)	—	(8,663)
Related tax effect	1,734	—	1,734	2,582	—	2,582
Reclassification of loss (gain) on securities available-for-sale to net income [1]	1,291	—	1,291	(26,017)	—	(26,017)
Related tax effect [2]	(384)	—	(384)	7,753	—	7,753
Amortization of unrealized gain on securities transferred from available-for-sale to held-to-maturity [3]	—	(313)	(313)	—	(910)	(910)
Related tax effect [2]	—	93	93	—	271	271
Other comprehensive loss	(3,177)	(220)	(3,397)	(12,040)	(639)	(12,679)
Cumulative adjustments from adoption of new accounting guidance [4]	—	—	—	(1,182)	—	(1,182)
Ending balance	**$ (19,694)**	**$ 1,993**	**$ (17,701)**	**$ (19,694)**	**$ 1,993**	**$ (17,701)**
	Quarter Ended June 30, 2017			Six Months Ended June 30, 2017		
Beginning balance	**$ 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 gain 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)
Ending balance	**$ (902)**	**$ 3,084**	**$ 2,182**	**$ (902)**	**$ 3,084**	**$ 2,182**

[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.
[4] Consists of adjustments from the adoption of ASU 2016-01 and ASU 2018-02.

Note 13. Income Taxes

The enactment of tax reform legislation in December 2017 (the "Tax Reform Act") reduced the federal tax rate for corporations from 35% to 21%, effective January 1, 2018, and changes or limits certain tax deductions. The Bank continues to assess emerging guidance related to the Tax Reform Act and may also identify additional adjustments to its recorded deferred tax assets upon filing of its 2017 U.S. income tax return, but does not currently anticipate significant revisions to its deferred tax assets or provision for income taxes.

The Bank's effective tax rates for the quarter and six months ended June 30, 2018 were 16.8% and 18.0%, respectively, which reflect the new federal tax rate, along with changes in tax deductions. The effective tax rates for the quarter and six months ended June 30, 2017 were 15.3% and 16.2%, respectively. As a result of the lower federal corporate tax rate beginning in 2018, the tax benefits from the Bank's portfolio of tax-advantaged investments and loans were also reduced.

The following table presents the reconciliation between the effective income tax rate and the federal statutory rate:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Expected statutory rate	21.0 %	35.0 %	21.0 %	35.0 %
State taxes, net of federal benefits	8.3 %	6.3 %	8.4 %	6.2 %
Tax-exempt income	(7.2)%	(14.1)%	(7.5)%	(13.7)%
Bank-owned life insurance	(0.8)%	(1.5)%	(0.8)%	(1.5)%
Tax credits	(15.2)%	(17.8)%	(15.5)%	(18.1)%
Tax credit investment amortization	13.5 %	14.0 %	13.7 %	14.2 %
Excess tax benefits—stock options	(1.3)%	(3.2)%	(1.5)%	(3.8)%
Excess tax benefits—other stock awards	(3.4)%	(4.6)%	(1.8)%	(3.1)%
Other, net	1.9 %	1.2 %	2.0 %	1.0 %
Effective tax rate	16.8 %	15.3 %	18.0 %	16.2 %

Note 14. 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)	**2018**	**2017**	**2018**	**2017**
Basic EPS:				
Net income	$ 209,781	$ 186,600	$ 408,864	$ 363,374
Less: Dividends on preferred stock	12,163	14,344	24,385	29,496
Net income available to common shareholders	$ 197,618	$ 172,256	$ 384,479	$ 333,878
Weighted average common shares outstanding	162,152	157,302	161,953	156,163
Net income per common share—basic	$ 1.22	$ 1.10	$ 2.37	$ 2.14
Diluted EPS:				
Net income available to common shareholders	$ 197,618	$ 172,256	$ 384,479	$ 333,878
Weighted average shares:				
Common shares outstanding	162,152	157,302	161,953	156,163
Dilutive effect of stock options	1,771	3,704	1,834	3,779
Dilutive effect of restricted stock awards, restricted stock units and performance share units	1,090	1,329	1,142	1,448
Weighted average diluted common shares outstanding	165,013	162,335	164,929	161,390
Net income per common share—diluted	$ 1.20	$ 1.06	$ 2.33	$ 2.07

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)	**2018**	**2017**	**2018**	**2017**
Restricted stock units and performance share units	207	176	105	88

Note 15. Revenue from Contracts with Customers

Adoption of ASC 606

The Bank adopted ASC 606 effective January 1, 2018. There were no changes to the timing or amount of revenue recognized from the Bank's contracts with customers, and no cumulative effect adjustment from the adoption of this guidance. Refer to Note 1, "Summary of Significant Accounting Policies," for additional information.

Revenue Recognition

The following table presents revenue from contracts with customers, disaggregated by revenue stream, as well as other noninterest income:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017 (1)**	**2018**	**2017 (1)**
Noninterest income:				
Revenue from contracts with customers:				
Investment management fees	$ 82,925	$ 68,819	$ 161,042	$ 129,714
Brokerage and investment fees	8,144	6,337	18,062	13,740
Trust fees	3,606	3,448	7,095	6,650
Deposit fees	6,280	5,655	12,265	11,027
Other income	889	370	1,344	705
Total revenue from contracts with customers	101,844	84,629	199,808	161,836
Other sources of noninterest income	30,577	24,743	65,715	48,995
Total noninterest income	$ 132,421	$ 109,372	$ 265,523	$ 210,831

(1) There were no adjustments to the Bank's financial statements as a result of the Bank's adoption of ASC 606. For comparability, the Bank has adjusted certain prior period amounts to conform to the current period presentation.

The Bank earns revenues from contracts with customers primarily for performing investment management, brokerage, trust and deposit services. Most of the Bank's contracts with customers are open-ended, and the Bank provides services on an ongoing basis for an unspecified contract term. For these ongoing services, the fees are variable, since they are dependent on factors such as the value of underlying assets under management, assets under administration or volume of transactions. The Bank recognizes revenue over the period services are provided to customers and when the uncertainties that determine the amount of revenue are resolved, and the actual fees are known or can be estimated. For certain services that are provided at a specific point in time, the Bank recognizes revenue in full at the time such services are provided. Each of the Bank's revenue streams are described in additional detail below.

Investment Management Fees

The Bank performs investment management services for its clients through FRIM, who acts as the client's investment advisor, performing traditional portfolio management, and in some cases, brokerage services through FRSC. FRIM also acts as an advisor to alternative investment funds. Investment management fees are variable, since they are based on assets under management ("AUM"), which are subject to changes in market conditions and asset inflows and outflows. Investment management fees are recognized over the period services are provided, and when actual AUM values are known or can be estimated. For traditional portfolio management services, AUM is known at the end of each quarter, and alternative investments' AUM can be estimated each quarter.

Brokerage and Investment Fees

The Bank performs brokerage services for its clients through FRSC. Brokerage fees consist of transaction fees earned from trade execution and distribution fees from mutual funds or money market mutual funds. Brokerage transaction fees are fixed and determinable, based on security type and trade volume, and are recognized upon trade execution. Distribution fees from mutual funds or money market mutual funds are variable, since they are based on the underlying fund's value, which is subject to market conditions and amounts invested by clients. Distribution fees are recognized over the period that services are provided, and when the fund values are known or can be estimated at the end of each quarter. In addition, revenues are earned from selling insurance and annuity policies. The amount of revenue earned is determined by the value and type of each insurance or annuity policy sold and is recognized when the policy is in force.

Trust Fees

The Bank performs trust and custody services for its clients through First Republic Trust Company and FRTC Delaware (collectively, the "Trust Company"). The Trust Company holds cash, securities and other assets in trust or custody accounts for its customers, and manages the day to day administration of the accounts. Trust and custody fees are variable, since they are based upon assets under administration ("AUA"), which are subject to market conditions and asset inflows and outflows. Trust fees are recognized over the period services are provided, and when actual AUA values are known or can be estimated.

Deposit Fees

The Bank performs deposit account services for its deposit clients. Deposit account fees are variable, since they are based on average account balances, type of account and transactions. Deposit account fees are recognized over the period that services are provided, and when the average account balances and transactions are known. Average account balances are known at the end of each month and transactions are known as they occur. In addition, other deposit-related fees consist of ATM fees from non-Bank cardholders, which is a fixed amount recognized at the time of the transaction, and interchange fees from debit card transactions, which are variable and recognized at the time of the transaction. Interchange fees are a percentage of the dollar value of the debit cardholder's transaction.

Other Income

Other income primarily includes revenue earned from ancillary services the Bank and its subsidiaries provide to customers.

Principal versus Agent

For brokerage services, FRSC utilizes a third-party clearing broker to execute and settle trades. FRSC is a principal in this relationship and, therefore, brokerage revenue is recognized as the gross amount of consideration, and payments to the clearing broker are recorded as an expense. For trustee services, the Bank utilizes a third-party custodian to provide custody over trust assets. FRTC is the principal in this relationship, therefore, trustee services revenue is recognized as the gross amount of consideration from the customer, and payments to the custodian are recorded as an expense.

Contract Balances and Receivables

The Bank records contract liabilities, or deferred revenue, when payments from customers are received or due in advance of providing services to customers. The Bank generally receives payments for its services during the period or at the time services are provided, therefore, does not have deferred revenue balances at period-end.

Receivables from contracts with customers were $31.6 million, $25.4 million and $14.4 million at June 30, 2018, December 31, 2017 and December 31, 2016, respectively, and consist primarily of investment management and brokerage receivables, which are included in prepaid expenses and other assets on the consolidated balance sheets.

Contract Acquisition Costs

The Bank pays its employees incentive compensation in the form of commissions, which are considered incremental and recoverable costs to obtain the contract. The Bank utilizes the practical expedient not to capitalize such costs as the amortization period of the asset is less than 12 months, and therefore expenses the commissions as incurred. These costs are recorded in salaries and employee benefits expense in the consolidated income statements.

Note 16. 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 equity securities, fixed income securities, balanced portfolios and alternative investments; (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 clients. 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, 2018				
Net interest income	$ 592,508	$ 19,185	$ —	$ 611,693
Provision for loan losses	19,370	—	—	19,370
Noninterest income from contracts with customers [(1)]	6,362	103,866	(8,384)	101,844
Other noninterest income	20,560	10,017	—	30,577
Noninterest income	26,922	113,883	(8,384)	132,421
Amortization of intangibles	940	3,259	—	4,199
Other noninterest expense	377,086	99,656	(8,384)	468,358
Noninterest expense	378,026	102,915	(8,384)	472,557
Income before provision for income taxes	222,034	30,153	—	252,187
Provision for income taxes	34,252	8,154	—	42,406
Net income	$ 187,782	$ 21,999	$ —	$ 209,781
Goodwill	$ 51,435	$ 147,012	$ —	$ 198,447
Total Assets	$ 93,416,924	$ 636,367	$ (201,831)	$ 93,851,460
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 from contracts with customers [(1), (2)]	5,764	87,046	(8,181)	84,629
Other noninterest income [(2)]	17,071	7,672	—	24,743
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
Noninterest expense	321,608	83,673	(8,181)	397,100
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

(1) The Commercial Banking segment consists of noninterest income from contracts with customers related to deposit fees and the Wealth Management segment consists of investment management, brokerage and investment, and trust fees.

(2) There were no adjustments to the Bank's financial statements as a result of the Bank's adoption of ASC 606. For comparability, the Bank has adjusted certain prior period amounts to conform to the current period presentation.

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
At or for the Six Months Ended June 30, 2018				
Net interest income	$ 1,161,846	$ 37,605	$ —	$ 1,199,451
Provision for loan losses	32,370	—	—	32,370
Noninterest income from contracts with customers [1]	12,099	205,708	(17,999)	199,808
Other noninterest income	47,921	17,794	—	65,715
Noninterest income	60,020	223,502	(17,999)	265,523
Amortization of intangibles	1,990	6,681	—	8,671
Other noninterest expense	744,447	199,019	(17,999)	925,467
Noninterest expense	746,437	205,700	(17,999)	934,138
Income before provision for income taxes	443,059	55,407	—	498,466
Provision for income taxes	74,277	15,325	—	89,602
Net income	$ 368,782	$ 40,082	$ —	$ 408,864
Goodwill	$ 51,435	$ 147,012	$ —	$ 198,447
Total Assets	$ 93,416,924	$ 636,367	$ (201,831)	$ 93,851,460
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 from contracts with customers [1], [2]	11,190	166,568	(15,922)	161,836
Other noninterest income [2]	34,867	14,128	—	48,995
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
Noninterest expense	626,047	165,514	(15,922)	775,639
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

(1) The Commercial Banking segment consists of noninterest income from contracts with customers related to deposit fees and the Wealth Management segment consists of investment management, brokerage and investment, and trust fees.

(2) There were no adjustments to the Bank's financial statements as a result of the Bank's adoption of ASC 606. For comparability, the Bank has adjusted certain prior period amounts to conform to the current period presentation.

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 17. Concentration of Deposits

At June 30, 2018, approximately 1% of our deposit relationships hold approximately 50% of total deposits, compared to 48% at December 31, 2017.

Note 18. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the quarter ended June 30, 2018. 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, 2018 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. 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, 2017 (the "2017 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, fires and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Our ability to maintain and follow high underwriting standards;
- Economic and market conditions 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 impact of tax reform legislation;
- The phase-in of capital requirements under the Basel III framework, and any future changes to regulatory capital requirements;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital, as well as changes to the Dodd-Frank Act pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act;
- 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 2017 Form 10-K and our other public filings under the Exchange Act. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Selected Financial Data

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

	At or for the Quarter Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Selected Financial Data:				
Interest income	$ 734,439	$ 599,155	$ 1,422,913	$ 1,151,650
Interest expense	122,746	67,191	223,462	120,001
Net interest income	611,693	531,964	1,199,451	1,031,649
Provision for loan losses	19,370	23,938	32,370	33,026
Net interest income after provision for loan losses	592,323	508,026	1,167,081	998,623
Noninterest income	132,421	109,372	265,523	210,831
Noninterest expense	472,557	397,100	934,138	775,639
Net income	209,781	186,600	408,864	363,374
Dividends on preferred stock	12,163	14,344	24,385	29,496
Net income available to common shareholders	$ 197,618	$ 172,256	$ 384,479	$ 333,878
Selected Ratios:				
Basic earnings per common share ("EPS")	$ 1.22	$ 1.10	$ 2.37	$ 2.14
Diluted EPS	$ 1.20	$ 1.06	$ 2.33	$ 2.07
Net income to average assets [(1)]	0.94%	0.96%	0.93%	0.97%
Net income available to common shareholders to average common equity [(1)]	11.08%	11.01%	10.96%	11.00%
Net income available to common shareholders to average tangible common equity [(1)]	11.54%	11.57%	11.42%	11.59%
Average total equity to average total assets	8.95%	9.32%	9.00%	9.37%
Dividends per common share	$ 0.18	$ 0.17	$ 0.35	$ 0.33
Dividend payout ratio	15.0%	16.0%	15.0%	16.0%
Book value per common share	$ 43.88	$ 39.76	$ 43.88	$ 39.76
Tangible book value per common share	$ 42.15	$ 37.83	$ 42.15	$ 37.83
Net interest margin [(1), (2)]	2.95%	3.16%	2.96%	3.14%
Efficiency ratio [(3)]	63.5%	61.9%	63.8%	62.4%
Selected Asset Quality Ratios:				
Nonperforming assets to total assets	0.05%	0.06%	0.05%	0.06%
Net loan charge-offs to average total loans [(1)]	0.00%	0.00%	0.00%	0.00%
Capital Ratios:				
Tier 1 leverage ratio	8.83%	8.99%	8.83%	8.99%
Common Equity Tier 1 ratio	10.18%	10.72%	10.18%	10.72%
Tier 1 risk-based capital ratio	11.90%	12.49%	11.90%	12.49%
Total risk-based capital ratio	13.68%	14.51%	13.68%	14.51%

(1) Ratios are annualized.

(2) Calculated on a fully taxable-equivalent basis. Beginning in 2018, reflects the new federal tax rate following the enactment of tax reform legislation in December 2017 (the "Tax Reform Act").

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

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 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 2017 Form 10-K.

Current Accounting Developments

For a discussion of accounting standards that became effective during the six months ended June 30, 2018, and accounting standards recently issued but that are not yet effective, refer to Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2018 and—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 continues to evolve as the legal and regulatory framework changes and as our business grows. As described in our 2017 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 enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act in May 2018 (the "EGRRCPA") altered several provisions of the Dodd-Frank Act. Overall, the changes under the EGRRCPA mainly apply to smaller U.S. banks and to U.S. bank holding companies and, subject to rulemaking and implementation by our regulators, we expect them to have a limited effect on the Bank, including in the following areas, among others: a) company-run stress testing, b) treatment of municipal obligations as high quality liquid assets ("HQLA") and c) resolution planning. We continue to evaluate the impact of these changes, and the nature, extent, timing and impact of any future changes to the Dodd-Frank Act and related regulatory requirements cannot be predicted.

Financial Highlights

At June 30, 2018, total assets were $93.9 billion, a 7% increase compared to $87.8 billion at December 31, 2017 and a 16% increase compared to $81.0 billion at June 30, 2017.

At June 30, 2018, total investment securities were $16.5 billion, an 11% decrease compared to $18.6 billion at December 31, 2017 and a 2% decrease compared to $16.9 billion at June 30, 2017. Total investment securities represented 18% of total assets at June 30, 2018, compared to 21% at both December 31, 2017 and June 30, 2017. Our holdings of HQLA, including eligible cash, totaled $11.0 billion at June 30, 2018, compared to $10.5 billion at

December 31, 2017 and $9.9 billion at June 30, 2017. At June 30, 2018, such assets represented 12.3% of average total assets for the second quarter of 2018. At June 30, 2018, HQLA does not include any municipal obligations. The inclusion of such securities in the future as HQLA will be assessed based upon any rulemaking or implementation by our regulators as a result of the EGRRCPA. For additional discussion regarding our investment portfolio, see "—Balance Sheet Analysis—Investments."

At June 30, 2018, loans, excluding loans held for sale, were $69.1 billion, a 10% increase compared to $62.8 billion at December 31, 2017, and a 20% increase compared to $57.8 billion at June 30, 2017. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $36.9 billion and represented 53% of total loans at June 30, 2018, compared to $34.3 billion, or 55% of total loans at December 31, 2017 and $32.0 billion, or 55% of total loans at June 30, 2017.

Loan origination volume was $9.4 billion for the second quarter of 2018, compared to $7.3 billion for the second quarter of 2017, an increase of 28%, and was $16.7 billion for the six months ended June 30, 2018, compared to $12.9 billion for the six months ended June 30, 2017, an increase of 29%. The increases were primarily due to increases in business lines of credit, multifamily, stock secured and other secured lending.

Total deposits were $72.8 billion at June 30, 2018, an increase of 6% compared to $68.9 billion at December 31, 2017, and an increase of 15% compared to $63.3 billion at June 30, 2017. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. We continue to emphasize building banking relationships through checking and other transaction deposit accounts. At June 30, 2018, balances in business and personal checking accounts were $43.9 billion, or 60% of total deposits, compared to $43.7 billion, or 63% of total deposits at December 31, 2017 and $40.1 billion, or 63% of total deposits at June 30, 2017. At June 30, 2018, business deposits were $40.7 billion and represented 56% of total deposits, compared to $37.4 billion, or 54% of total deposits at December 31, 2017, and $35.8 billion, or 57% of total deposits at June 30, 2017.

Our Common Equity Tier 1 ("CET1") and total risk-based capital ratios at June 30, 2018 were 10.18% and 13.68%, 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 $43.88 at June 30, 2018, a 4% increase from December 31, 2017 and a 10% increase during the last twelve months. Tangible book value per common share was $42.15 at June 30, 2018, a 4% increase from December 31, 2017 and an 11% increase during the last twelve months.

Our capital markets activity for the first six months of 2018 included the following:

- In June 2018, a public offering of 12,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series I Preferred Stock ("Series I Preferred Stock"), at a public offering price of $25.00 per depositary share. The Bank issued 300,000 shares of the Series I Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $290.2 million. In addition to the use of net proceeds for general corporate purposes, the Bank also currently expects to redeem its $200.0 million of 7.00% Noncumulative Perpetual Series E Preferred Stock when such stock becomes redeemable at the Bank's option on or after December 28, 2018, subject to all applicable regulatory approvals.
- In January 2018, redemption of all outstanding shares of our 5.625% Noncumulative Perpetual Series C Preferred Stock, which totaled $150.0 million, plus all accrued and unpaid dividends through the date of redemption.

Cash dividends paid in the second quarter of 2018 were $0.18 per share of common stock to shareholders of record as of April 26, 2018, compared to $0.17 in the second quarter of 2017. On July 13, 2018, we declared a cash dividend for the second quarter of $0.18 per share, which is payable on August 9, 2018 to shareholders of record as of July 26, 2018. 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 $121.1 billion at June 30, 2018, an increase of $14.2 billion, or 13%, from $107.0 billion at December 31, 2017 and an increase of $25.7 billion, or 27%, from $95.4 billion at June 30, 2017. The increases in AUM and AUA were due to both net new assets from existing and new clients, and market appreciation.

The Tax Reform Act reduced the federal tax rate for corporations from 35% to 21%, effective January 1, 2018, and changes or limits certain tax deductions. The Bank's effective tax rates for the quarter and six months ended June 30, 2018 were 16.8% and 18.0%, respectively, which reflect the new federal tax rate, along with changes in tax deductions. See "—Provision for Income Taxes" for additional information.

Results of Operations— Quarter and Six Months Ended June 30, 2018, Compared to Quarter and Six Months Ended June 30, 2017

Overview

Net income for the quarter and six months ended June 30, 2018 was $209.8 million and $408.9 million, compared to $186.6 million and $363.4 million for the quarter and six months ended June 30, 2017, respectively, an increase of $23.2 million, or 12%, for the quarter, and an increase of $45.5 million, or 13%, for the six months. Diluted EPS for the quarter and six months ended June 30, 2018 were $1.20 and $2.33, compared to $1.06 and $2.07 for the quarter and six months ended June 30, 2017, respectively, an increase of 13% for both the quarter and six months.

Net income for the Commercial Banking segment for the quarter and six months ended June 30, 2018 was $187.8 million and $368.8 million, compared to $169.6 million and $333.4 million for the quarter and six months ended June 30, 2017, respectively, an increase of 11% for both the quarter and six months. The Wealth Management segment's net income for the quarter and six months ended June 30, 2018 was $22.0 million and $40.1 million, compared to $17.0 million and $30.0 million for the quarter and six months ended June 30, 2017, respectively, an increase of 29% for the quarter and an increase of 34% for 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, 2018 was $611.7 million and $1.2 billion, compared to $532.0 million and $1.0 billion for the quarter and six months ended June 30, 2017, respectively, an increase of $79.7 million, or 15%, for the quarter and $167.8 million, or 16%, for the six months.

Fully taxable-equivalent net interest income for the quarter and six months ended June 30, 2018 was $637.5 million and $1.3 billion, compared to $585.1 million and $1.1 billion for the quarter and six months ended June 30, 2017, respectively, an increase of 9% for the quarter and an increase of 10% for the six months. Tax-equivalent adjustments to net interest income were lower in the quarter and six months ended June 30, 2018, compared to the quarter and six months ended June 30, 2017, as a result of the reduced federal corporate tax rate under the Tax Reform Act. The growth in fully taxable-equivalent net interest income year-over-year reflects the reduced tax-equivalent adjustments. The contractual interest income of the Bank's tax-advantaged investments and tax-exempt loans was not impacted by the lower tax rate.

On an average basis, interest-earning assets and interest-bearing liabilities for the second quarter of 2018 increased 16% and 17%, respectively, from the second quarter of 2017. For the six months ended June 30, 2018, average interest-earning assets and interest-bearing liabilities each increased 17% from the six months ended June 30, 2017.

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,					
	2018			2017		
($ in thousands)	Average Balance	Interest Income/ Expense	Yields/ Rates [(1)]	Average Balance	Interest Income/ Expense	Yields/ Rates [(1)]
Assets:						
Cash and cash equivalents	$ 1,404,683	$ 5,685	1.62%	$ 1,321,995	$ 3,126	0.95%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	—	—	—%	110,623	200	0.72%
U.S. Government-sponsored agency securities	1,044,897	7,772	2.98%	1,149,412	7,793	2.71%
Mortgage-backed securities ("MBS"):						
Agency residential and commercial MBS	7,423,001	50,842	2.74%	7,344,370	46,113	2.51%
Other residential and commercial MBS	4,753	38	3.21%	8,372	59	2.83%
Municipal securities [(2)]	8,044,313	94,478	4.69%	7,907,376	117,780	5.98%
Other investment securities [(3)]	19,863	127	2.55%	2,259	9	1.59%
Total investment securities	16,536,827	153,257	3.70%	16,522,412	171,954	4.17%
Loans:						
Residential real estate	36,424,028	287,872	3.16%	31,067,139	233,028	3.00%
Multifamily	9,389,300	87,044	3.67%	7,174,869	64,111	3.53%
Commercial real estate	6,276,975	65,473	4.13%	5,711,608	58,517	4.05%
Construction	1,893,614	22,238	4.65%	1,479,508	17,301	4.63%
Business [(2)]	9,181,127	98,061	4.22%	7,250,060	79,090	4.32%
Other	4,414,474	35,746	3.20%	3,069,513	22,354	2.88%
Total loans	67,579,518	596,434	3.51%	55,752,697	474,401	3.39%
Federal Home Loan Bank ("FHLB") stock	300,068	4,850	6.48%	221,393	2,784	5.04%
Total interest-earning assets	85,821,096	760,226	3.53%	73,818,497	652,265	3.52%
Noninterest-earning assets:						
Noninterest-earning cash	344,451			333,651		
Goodwill and other intangibles	283,575			307,275		
Other assets	3,472,410			3,258,671		
Total noninterest-earning assets	4,100,436			3,899,597		
Total Assets	$ 89,921,532			$ 77,718,094		
Liabilities and Equity:						
Deposits:						
Checking	$ 43,377,084	5,478	0.05%	$ 38,014,639	1,435	0.02%
Money market checking and savings	16,885,281	21,787	0.52%	16,336,980	7,130	0.18%
Certificates of deposit ("CDs")	8,710,862	34,762	1.60%	5,774,830	17,790	1.24%
Total deposits	68,973,227	62,027	0.36%	60,126,449	26,355	0.18%
Borrowings:						
Short-term borrowings	1,419,945	6,652	1.88%	1,433,516	3,698	1.03%
Long-term FHLB advances	8,904,396	39,045	1.76%	6,541,209	24,439	1.50%
Senior notes [(4)]	895,364	5,925	2.65%	534,418	3,469	2.60%
Subordinated notes [(4)]	777,230	9,097	4.68%	776,850	9,093	4.68%
Other borrowings	—	—	—%	25,147	137	2.20%
Total borrowings	11,996,935	60,719	2.03%	9,311,140	40,836	1.76%
Total interest-bearing liabilities	80,970,162	122,746	0.61%	69,437,589	67,191	0.39%
Noninterest-bearing liabilities	899,451			1,036,242		
Preferred equity	900,989			966,374		
Common equity	7,150,930			6,277,889		
Total Liabilities and Equity	$ 89,921,532			$ 77,718,094		
Net interest spread [(5)]			2.92%			3.13%
Net interest income (fully taxable-equivalent basis) and net interest margin [(6)]		$ 637,480	2.95%		$ 585,074	3.16%
Reconciliation of tax-equivalent net interest income to reported net interest income:						
Municipal securities tax-equivalent adjustment [(2)]		(19,264)			(41,519)	
Business loans tax-equivalent adjustment [(2)]		(6,523)			(11,591)	
Net interest income, as reported		$ 611,693			$ 531,964	

(1) Yields/rates are annualized.

(2) Beginning in 2018, tax equivalent adjustments to interest income and yields reflect the corporate federal tax rate of 21%.

(3) Includes mutual funds and 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,					
	2018			2017		
($ in thousands)	Average Balance	Interest Income/ Expense	Yields/ Rates [(1)]	Average Balance	Interest Income/ Expense	Yields/ Rates [(1)]
Assets:						
Cash and cash equivalents	$ 1,266,512	$ 9,598	1.53%	$ 1,385,012	$ 5,794	0.84%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	9,467	87	1.84%	110,783	401	0.72%
U.S. Government-sponsored agency securities	1,100,333	16,213	2.95%	1,094,746	14,811	2.71%
MBS:						
Agency residential and commercial MBS	7,516,223	100,951	2.69%	7,153,109	89,289	2.50%
Other residential and commercial MBS	5,410	185	6.83%	8,709	123	2.83%
Municipal securities [(2)]	8,215,189	194,023	4.72%	7,611,727	222,726	5.85%
Other investment securities [(3)]	19,923	244	2.45%	2,118	9	0.86%
Total investment securities	16,866,545	311,703	3.70%	15,981,192	327,359	4.10%
Loans:						
Residential real estate	35,584,566	553,401	3.11%	30,432,871	451,104	2.97%
Multifamily	9,121,973	165,732	3.61%	6,965,309	123,220	3.52%
Commercial real estate	6,211,132	127,985	4.10%	5,624,049	114,735	4.06%
Construction	1,835,197	42,863	4.65%	1,458,654	33,816	4.61%
Business [(2)]	8,886,468	187,575	4.20%	7,035,965	149,429	4.22%
Other	4,191,601	66,488	3.15%	2,911,873	41,751	2.85%
Total loans	65,830,937	1,144,044	3.47%	54,428,721	914,055	3.35%
FHLB stock	290,568	9,828	6.82%	191,517	6,155	6.48%
Total interest-earning assets	84,254,562	1,475,173	3.50%	71,986,442	1,253,363	3.48%
Noninterest-earning assets:						
Noninterest-earning cash	346,000			320,576		
Goodwill and other intangibles	285,750			309,937		
Other assets	3,456,666			3,213,682		
Total noninterest-earning assets	4,088,416			3,844,195		
Total Assets	$ 88,342,978			$ 75,830,637		
Liabilities and Equity:						
Deposits:						
Checking	$ 42,911,318	10,987	0.05%	$ 37,684,917	2,561	0.01%
Money market checking and savings	17,008,048	39,925	0.47%	16,318,179	12,119	0.15%
CDs	8,179,175	61,502	1.52%	5,561,809	33,726	1.22%
Total deposits	68,098,541	112,414	0.33%	59,564,905	48,406	0.16%
Borrowings:						
Short-term borrowings	1,054,503	9,161	1.75%	781,353	4,217	1.09%
Long-term FHLB advances	8,630,939	71,845	1.68%	6,165,746	45,054	1.47%
Senior notes [(4)]	895,153	11,849	2.65%	466,615	6,046	2.59%
Subordinated notes [(4)]	777,182	18,193	4.68%	684,284	16,008	4.68%
Other borrowings	—	—	—%	25,509	270	2.12%
Total borrowings	11,357,777	111,048	1.97%	8,123,507	71,595	1.77%
Total interest-bearing liabilities	79,456,318	223,462	0.57%	67,688,412	120,001	0.36%
Noninterest-bearing liabilities	939,648			1,038,605		
Preferred equity	871,492			985,228		
Common equity	7,075,520			6,118,392		
Total Liabilities and Equity	$ 88,342,978			$ 75,830,637		
Net interest spread [(5)]			2.93%			3.12%
Net interest income (fully taxable-equivalent basis) and net interest margin [(6)]		$ 1,251,711	2.96%		$ 1,133,362	3.14%
Reconciliation of tax-equivalent net interest income to reported net interest income:						
Municipal securities tax-equivalent adjustment [(2)]		(39,440)			(78,866)	
Business loans tax-equivalent adjustment [(2)]		(12,820)			(22,847)	
Net interest income, as reported		$ 1,199,451			$ 1,031,649	

(1) Yields/rates are annualized.
(2) Beginning in 2018, tax equivalent adjustments to interest income and yields reflect the corporate federal tax rate of 21%.
(3) Includes mutual funds and 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 $734.4 million and $1.4 billion for the quarter and six months ended June 30, 2018, compared to $599.2 million and $1.2 billion for the quarter and six months ended June 30, 2017, respectively, an increase of $135.3 million, or 23%, for the quarter and an increase of $271.3 million, or 24%, for the six months. The increase for the second quarter of 2018 was the result of an increase of 16% in average interest-earning assets, which were $85.8 billion, compared to $73.8 billion for the second quarter of 2017, and a slight increase in the average yield on interest-earning assets to 3.53% from 3.52% for the second quarter of 2017. The increase for the six months ended June 30, 2018 was the result of an increase of 17% in average interest-earning assets, which were $84.3 billion, compared to $72.0 billion for the six months ended June 30, 2017, and a slight increase in the average yield on interest-earning assets to 3.50% from 3.48% for the six months ended June 30, 2017. The average yield for the quarter and six months ended June 30, 2018 also includes the impact of lower tax-equivalent adjustments for municipal securities and tax-exempt loans in 2018 as a result of the lower federal corporate tax rate, which reduced the year-over-year growth in yields.

Loans

Interest income on loans for the quarter and six months ended June 30, 2018 was $589.9 million and $1.1 billion, compared to $462.8 million and $891.2 million for the quarter and six months ended June 30, 2017, respectively, an increase of $127.1 million, or 27%, for the quarter, and an increase of $240.0 million, or 27%, for the six months due to continued loan growth. Fully taxable-equivalent interest income on loans was $596.4 million for the second quarter of 2018, compared to $474.4 million for the second quarter of 2017, an increase of 26%, and was $1.1 billion for the six months ended June 30, 2018, compared to $914.1 million for the six months ended June 30, 2017, an increase of 25%.

Average loan balances were $67.6 billion for the second quarter of 2018, compared to $55.8 billion for the second quarter of 2017, an increase of 21%, and were $65.8 billion for the six months ended June 30, 2018, compared to $54.4 billion for the six months ended June 30, 2017, an increase of 21%. The average yield on loans was 3.51% for the second quarter of 2018, compared to 3.39% for the second quarter of 2017, and was 3.47% for the six months ended June 30, 2018, compared to 3.35% for the six months ended June 30, 2017.

Interest income on loans included prepayment penalty fees of $2.1 million and $3.5 million for the quarter and six months ended June 30, 2018, compared to $2.1 million and $3.8 million for the quarter and six months ended June 30, 2017, respectively. The decrease in these fees compared to the six months a year ago was primarily due to lower prepayments on single family loans, partially offset by higher prepayments on 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 (on a fully taxable-equivalent basis) was 3.52% at June 30, 2018, compared to 3.40% at December 31, 2017 and 3.34% at June 30, 2017. 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, 2018, approximately 34% of our total loans were adjustable-rate or mature within one year, compared to 35% and 37% at December 31, 2017 and June 30, 2017, respectively.

Investments

Interest income on investments for the quarter and six months ended June 30, 2018 was $134.0 million and $272.3 million, compared to $130.4 million and $248.5 million for the quarter and six months ended June 30, 2017, respectively, an increase of $3.6 million, or 3%, for the quarter, and an increase of $23.8 million, or 10%, for the six months. The increases were due to investment purchases. Fully taxable-equivalent interest income on investments was $153.3 million and $311.7 million for the quarter and six months ended June 30, 2018, compared to $172.0

million and $327.4 million for the quarter and six months ended June 30, 2017, a decrease of 11% and 5%, respectively. The decreases were the result of the reduced federal corporate tax rate from the Tax Reform Act.

Average investment balances were $16.5 billion for both the second quarter of 2018 and 2017, and were $16.9 billion for the six months ended June 30, 2018, compared to $16.0 billion for the six months ended June 30, 2017, an increase of 6%. The increase compared to the six months a year ago was primarily due to purchases of HQLA. The average yield on investment securities for the second quarter of 2018 was 3.70%, compared to 4.17% for the second quarter of 2017, a decline of 47 basis points, and was 3.70% for the six months ended June 30, 2018, compared to 4.10% for the six months ended June 30, 2017, a decline of 40 basis points. The yield declines were the result of the reduced federal tax rate for corporations due to the Tax Reform Act, partially offset by an increase in HQLA yields.

FHLB Stock

Dividends on FHLB stock for the quarter and six months ended June 30, 2018 were $4.9 million and $9.8 million, compared to $2.8 million and $6.2 million for the quarter and six months ended June 30, 2017, respectively, a 74% increase for the quarter and a 60% increase for the six months. The average yield on FHLB stock was 6.48% for the second quarter of 2018, compared to 5.04% for the second quarter of 2017, and was 6.82% for the six months ended June 30, 2018, compared to 6.48% for the six months ended June 30, 2017. The increases in dividend income and yield in the second quarter of 2018 and the six months ended June 30, 2018 were primarily due to higher average FHLB stock balances and higher dividend rates. Average FHLB stock balances were $300.1 million for the second quarter of 2018, compared to $221.4 million for the second quarter of 2017, an increase of 36%, and were $290.6 million for the six months ended June 30, 2018, compared to $191.5 million for the six months ended June 30, 2017, an increase of 52%.

Interest Expense

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes, subordinated notes and other borrowings. Total interest expense was $122.7 million and $223.5 million for the quarter and six months ended June 30, 2018, compared to $67.2 million and $120.0 million for the quarter and six months ended June 30, 2017, respectively, an increase of $55.6 million, or 83%, for the quarter, and an increase of $103.5 million, or 86%, for the six months. The increase for the second quarter of 2018 was the result of an increase of 17% in average interest-bearing liabilities, which were $81.0 billion, compared to $69.4 billion for the second quarter of 2017 and an increase in the average cost of interest-bearing liabilities to 0.61% from 0.39% for the second quarter of 2017. The increase for the six months ended June 30, 2018 was the result of an increase of 17% in average interest-bearing liabilities, which were $79.5 billion, compared to $67.7 billion for the six months ended June 30, 2017, and an increase in the average cost of interest-bearing liabilities to 0.57% from 0.36% for the six months ended June 30, 2017.

Deposits

Interest expense on deposits was $62.0 million and $112.4 million for the quarter and six months ended June 30, 2018, compared to $26.4 million and $48.4 million for the quarter and six months ended June 30, 2017, respectively, an increase of $35.7 million for the quarter, and an increase of $64.0 million for the six months. The increases in interest expense were driven by an increase in rates paid on deposits due to an increase in market rates of interest, along with growth in deposit balances. The average interest rate paid on deposits was 0.36% and 0.18% for the second quarter of 2018 and 2017, and was 0.33% and 0.16% for the six months ended June 30, 2018 and 2017, respectively.

Average deposit balances were $69.0 billion for the second quarter of 2018, an increase of 15% from $60.1 billion for the second quarter of 2017, and were $68.1 billion for the six months ended June 30, 2018, an increase of 14% from $59.6 billion for the six months ended June 30, 2017. 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	**2018**	**2017**	**2018**	**2017**
Checking	63%	63%	63%	63%
Money market checking and savings	24%	27%	25%	28%
CDs	13%	10%	12%	9%

At June 30, 2018, our total deposits were $72.8 billion, compared to $63.3 billion at June 30, 2017, an increase of 15%, and the weighted average contractual rate paid on total deposits was 0.45% and 0.23%, respectively. We will continue to focus on growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as FHLB advances, unsecured term senior notes or unsecured term subordinated notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings was $60.7 million and $111.0 million for the quarter and six months ended June 30, 2018, compared to $40.8 million and $71.6 million for the quarter and six months ended June 30, 2017, respectively, an increase of $19.9 million, or 49%, for the quarter, and an increase of $39.5 million, or 55%, for the six months. Such increases were primarily due to an increase in long-term FHLB advances and higher market interest rates on new borrowings.

Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less. At June 30, 2018 and 2017, short-term borrowings were $600.0 million and $150.0 million, respectively. Interest expense on short-term borrowings was $6.7 million and $9.2 million for the quarter and six months ended June 30, 2018, compared to $3.7 million and $4.2 million for the quarter and six months ended June 30, 2017, respectively, an increase of $3.0 million for the quarter, and an increase of $4.9 million for the six months. The increases were primarily due to increases in the average cost of short-term borrowings, which was 1.88% and 1.03% for the second quarter of 2018 and 2017 and 1.75% and 1.09% for the six months ended June 30, 2018 and 2017, respectively. The increase for the six months was also due to an increase in average short-term borrowings. Average short-term borrowings for both the second quarter of 2018 and 2017 were $1.4 billion, and were $1.1 billion for the six months ended June 30, 2018, compared to $781.4 million for the six months ended June 30, 2017.

At June 30, 2018, long-term FHLB advances outstanding were $9.7 billion, compared to $7.6 billion at June 30, 2017. Interest expense on long-term FHLB advances was $39.0 million and $71.8 million for the quarter and six months ended June 30, 2018, compared to $24.4 million and $45.1 million for the quarter and six months ended June 30, 2017, respectively, an increase of $14.6 million, or 60%, for the quarter, and an increase of $26.8 million, or 59%, for the six months. The increases were primarily due to higher average balances, and increases in the average cost of long-term FHLB advances. Average long-term FHLB advances for the second quarter of 2018 were $8.9 billion, compared to $6.5 billion for the second quarter of 2017, an increase of 36%, and for the six months ended June 30, 2018 were $8.6 billion, compared to $6.2 billion for the six months ended June 30, 2017, an increase of 40%. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 11% for both the quarter and six months ended June 30, 2018, compared to 9% for both the quarter and six months ended June 30, 2017. The average cost of long-term FHLB advances was 1.76% and 1.50% for the second quarter of 2018 and 2017, and was 1.68% and 1.47% for the six months ended June 30, 2018 and 2017, respectively.

At June 30, 2018, the carrying value of unsecured senior notes was $895.6 million, compared to $893.9 million at June 30, 2017. Interest expense on our fixed-rate senior notes was $5.9 million and $11.8 million for the quarter and six months ended June 30, 2018, compared to $3.5 million and $6.0 million for the quarter and six months ended June 30, 2017, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs. The increases in interest expense for the quarter and six months were due to the issuance of new senior notes in the amount of $500 million in June 2017.

At June 30, 2018, the carrying value of unsecured subordinated notes totaled $777.3 million, compared to $776.9 million at June 30, 2017. Interest expense on our fixed-rate subordinated notes for the quarter and six months ended June 30, 2018 was $9.1 million and $18.2 million, compared to $9.1 million and $16.0 million for the quarter and six months ended June 30, 2017, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs. The increase in interest expense for the six months was due to the issuance of new subordinated notes in the amount of $400 million in February 2017.

Provision for Loan Losses

The provision for loan losses was $19.4 million for the second quarter of 2018, compared to $23.9 million for the second quarter of 2017, and was $32.4 million for the six months ended June 30, 2018, compared to $33.0 million for the six months ended June 30, 2017. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and 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)	**2018**	**2017**	**2018**	**2017**
Investment management fees	$ 82,925	$ 68,819	$ 161,042	$ 129,714
Brokerage and investment fees	8,826	6,965	19,358	15,004
Trust fees	3,606	3,448	7,095	6,650
Foreign exchange fee income	9,547	7,081	16,944	12,942
Deposit fees	6,280	5,655	12,265	11,027
Loan and related fees	4,134	3,375	7,751	6,641
Loan servicing fees, net	3,186	3,577	6,705	6,348
Gain on sale of loans	4,045	841	4,734	4,205
Gain (loss) on investment securities, net	(1,027)	(602)	8,170	(2,037)
Income from investments in life insurance	9,612	9,538	19,089	19,173
Other income	1,287	675	2,370	1,164
Total noninterest income	$ 132,421	$ 109,372	$ 265,523	$ 210,831

Noninterest income for the quarter and six months ended June 30, 2018 was $132.4 million and $265.5 million, compared to $109.4 million and $210.8 million for the quarter and six months ended June 30, 2017, respectively, an increase of $23.0 million, or 21%, for the quarter and an increase of $54.7 million, or 26%, for the six months. The increase for the quarter was primarily due to increases in investment management fees and gain on sale of loans. The increase for the six months was primarily due to increases in investment management fees and gain on 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 securities, fixed income securities, balanced portfolios and alternative investments for our clients. In addition, we employ experienced wealth managers to work with our relationship managers to generate new AUM using an open architecture platform. Investment management fees for the quarter and six months ended June 30, 2018 were $82.9 million and $161.0 million, compared to $68.8 million and $129.7 million for the quarter and six months ended June 30, 2017, respectively, a 20% increase for the quarter and a 24% increase for the six months. The increases in investment management fees were due to an increase in AUM. FRIM's AUM were $59.3 billion at June 30, 2018, compared to $47.5 billion at June 30, 2017, an increase of 25% from the addition of assets from existing and new clients and market appreciation. The addition of client assets was the result of growth in investment management services to Bank clients, acquiring new clients, the successful marketing efforts of existing wealth managers and the hiring of experienced wealth managers who brought their clients with them. Investment management fees vary with the amount of assets managed and the type of investment chosen by the client. Generally, these wealth managers earn higher fees for managing equity securities than for managing a fixed income portfolio. The future level of these fees depends on the level and mix of AUM, 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 wealth 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 wealth 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, 2018 were $8.8 million and $19.4 million, compared to $7.0 million and $15.0 million for the quarter and six months ended June 30, 2017, respectively, a 27% increase for the quarter and a 29% increase for the six months. Such fees vary based on the level and mix of AUA, conditions in the equity markets, volume of transaction activity, level of sales of insurance and annuity products, and our ability to attract new clients. At June 30, 2018, we held $51.9 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $39.1 billion at June 30, 2017, an increase of 33%.

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, Florida and Connecticut. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Trust fees were $3.6 million and $7.1 million for the quarter and six months ended June 30, 2018, compared to $3.4 million and $6.7 million for the quarter and six months ended June 30, 2017, respectively, a 5% increase for the quarter and a 7% increase for the six months. The increases were primarily due to increases in assets under custody or administration from existing and new clients and market appreciation. At June 30, 2018, assets under custody or administration were $9.9 billion, compared to $8.8 billion at June 30, 2017, an increase of 12%. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

Foreign exchange fee income. Foreign exchange fee income represents fees we earn from transacting foreign exchange business on behalf of our clients. We earned foreign exchange fee income of $9.5 million and $16.9 million for the quarter and six months ended June 30, 2018, compared to $7.1 million and $12.9 million for the quarter and six months ended June 30, 2017, respectively, an increase of 35% for the quarter and an increase of

31% 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 clients and then offset those trades with other financial institution counterparties, such as major investment banks or large commercial banks. We do not retain significant foreign exchange risk associated with these transactions, as the trades with the client and the financial institution counterparty are matched on our books. We do retain credit risk, both to the client and the counterparty institution, which is evaluated and managed by us in the normal course of our operations.

Other Noninterest Income

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $6.3 million and $12.3 million for the quarter and six months ended June 30, 2018, compared to $5.7 million and $11.0 million for the quarter and six months ended June 30, 2017, respectively, an increase of 11% for both the quarter and 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 $4.1 million and $7.8 million for the quarter and six months ended June 30, 2018, compared to $3.4 million and $6.6 million for the quarter and six months ended June 30, 2017, 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.

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)	**2018**	**2017**	**2018**	**2017**
Contractually specified servicing fees	$ 7,639	$ 7,464	$ 15,284	$ 14,869
MSR amortization expense	(4,453)	(3,887)	(8,579)	(8,521)
Loan servicing fees, net	$ 3,186	$ 3,577	$ 6,705	$ 6,348

Contractual servicing fees were $7.6 million and $15.3 million for the quarter and six months ended June 30, 2018, compared to $7.5 million and $14.9 million for the quarter and six months ended June 30, 2017, respectively, an increase of 2% for the quarter and an increase of 3% for the six months. The increases were primarily due to the growth in the servicing portfolio. The average servicing portfolio for the second quarter of 2018 was $12.0 billion, compared to $11.8 billion for the same period a year ago, an increase of 2%, and for the six months ended June 30, 2018 was $12.2 billion, compared to $11.7 billion for the same period a year ago, an increase of 4%. 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 2018 and 2017 and for both the six months ended June 30, 2018 and 2017.

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 2018, the overall annualized repayment speed experienced on loans serviced was 16%, compared to 15% for the second quarter of 2017. The overall annualized repayment speed experienced on loans serviced was 15% for both the six months ended June 30, 2018 and 2017. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release a valuation allowance, if any, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Gain on sale of loans. The net gain on sales of loans fluctuates with the amount 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. The following table presents loan sales activity and gain on sale of loans:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2018	2017	2018	2017
Gain on sale of loans	$ 4,045	$ 841	$ 4,734	$ 4,205
Loans sold	$ 721,921	$ 439,825	$ 883,332	$ 1,085,580
Gain on sale of loans as a percentage of loans sold	0.56%	0.19%	0.54%	0.39%

The higher level of gain on sales for the second quarter of 2018 was the result of higher margins and a higher volume of loans sold. The higher level of gain on sales for the six months ended June 30, 2018 was the result of higher margins, partially offset by a lower volume of loans sold.

Gain (loss) on investment securities, net. The gain (loss) primarily consists of activity from sales of investment securities. Beginning in 2018, the gain (loss) also includes changes in fair value of the Bank's marketable equity securities. The net loss on investment securities was $1.0 million for the second quarter of 2018, compared to a net loss of $602,000 for the second quarter of 2017. For the six months ended June 30, 2018, the net gain was $8.2 million, compared to a net loss of $2.0 million for the six months ended June 30, 2017. The gain from sales of investments for the six months ended June 30, 2018 was primarily due to the repositioning of the Bank's investment portfolio in the first quarter of 2018. 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 $9.6 million and $19.1 million for the quarter and six months ended June 30, 2018, compared to $9.5 million and $19.2 million for the quarter and six months ended June 30, 2017, respectively. The book value of this portfolio of tax-exempt investments was $1.3 billion at both June 30, 2018 and 2017.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Salaries and employee benefits	$ 271,935	$ 221,929	$ 548,959	$ 443,836
Information systems	59,530	51,053	118,494	96,823
Occupancy	37,216	33,631	73,388	66,997
Professional fees	15,588	12,236	29,002	23,401
FDIC assessments	16,064	13,601	31,596	26,751
Advertising and marketing	15,120	11,560	27,048	20,586
Other expenses	57,104	53,090	105,651	97,245
Total noninterest expense	$ 472,557	$ 397,100	$ 934,138	$ 775,639

Noninterest expense for the quarter and six months ended June 30, 2018 was $472.6 million and $934.1 million, compared to $397.1 million and $775.6 million for the quarter and six months ended June 30, 2017, respectively, an increase of $75.5 million, or 19%, for the quarter and an increase of $158.5 million, or 20%, for the six months. The increases in noninterest expense were primarily due to higher salaries and employee benefits and investments in information systems. The overall increases in 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 Accounting Standards Codification ("ASC") 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $35.6 million and $64.6 million for the quarter and six months ended June 30, 2018, compared to $31.7 million and $57.1 million for the quarter and six months ended June 30, 2017, respectively, an increase of 12% for the quarter and an increase of 13% 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 63.5% for the second quarter of 2018, compared to 61.9% for the second quarter of 2017, and was 63.8% for the six months ended June 30, 2018, compared to 62.4% for the six months ended June 30, 2017. The increases in the efficiency ratio were primarily attributable to increased salaries and employee benefits and information systems costs from the continued investments in the expansion of the franchise.

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 $271.9 million and $549.0 million for the quarter and six months ended June 30, 2018, compared to $221.9 million and $443.8 million for the quarter and six months ended June 30, 2017, respectively, a 23% increase for the quarter and a 24% increase for the six months. The increases were primarily the result of the addition of new personnel to support higher levels of lending, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities. At June 30, 2018, we had 4,242 full-time equivalent employees, including temporary employees and independent contractors, a 9% increase from 3,881 at June 30, 2017.

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. These expenses also include equipment depreciation and amortization costs of software and licenses. Expenses for information systems were $59.5 million and $118.5 million for the quarter and six months ended June 30, 2018, compared to $51.1 million and $96.8 million for the quarter and six months ended June 30, 2017, respectively, a 17% increase for the quarter, and a 22% increase for the six months. The increases in information systems costs were primarily due to continued technology initiatives to upgrade our systems, including a new mobile and online banking platform, enhance client experience and support our growth, as well as to enhance our regulatory compliance infrastructure.

Occupancy. Occupancy costs were $37.2 million and $73.4 million for the quarter and six months ended June 30, 2018, compared to $33.6 million and $67.0 million for the quarter and six months ended June 30, 2017, respectively, an 11% increase for the quarter and a 10% increase for the six months. The increases were primarily due to expanding our office space in existing markets for new employees, increased rental costs in certain locations and rental costs for future banking office locations. We expect the level of occupancy costs to vary with the number of offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to enhancing regulatory compliance activities and technology initiatives. Such expenses were $15.6 million and $29.0 million for the quarter and six months ended June 30, 2018, compared to $12.2 million and $23.4 million for the quarter and six months ended June 30, 2017, respectively, an increase of 27% for the quarter and an increase of 24% for the six months. The increases in professional fees were primarily due to higher legal fees and consulting fees related to continued investments in the expansion of the franchise.

FDIC assessments. FDIC assessments were $16.1 million and $31.6 million for the quarter and six months ended June 30, 2018, compared to $13.6 million and $26.8 million for the quarter and six months ended June 30, 2017, respectively, an 18% increase for the quarter and the six months. The increases were primarily due to growth in the assessment base as a result of the growth in assets.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers, radio, and television, primarily to support growth in our Preferred Banking offices and for advertising and marketing initiatives related to Gradifi and the Bank's next generation of clients. Advertising and marketing expenses were $15.1 million and $27.0 million for the quarter and six months ended June 30, 2018, compared to $11.6 million and $20.6 million for the quarter and six months ended June 30, 2017, respectively, an increase of 31% for both the quarter and 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 increases in 2018 included increased expenses related to marketing initiatives associated with Gradifi and the Bank's next generation of clients.

Other expenses. Other expenses were $57.1 million and $105.7 million for the quarter and six months ended June 30, 2018, compared to $53.1 million and $97.2 million for the quarter and six months ended June 30, 2017, respectively, an increase of 8% for the quarter and an increase of 9% for the six months. These expenses include costs related to lending activities, client service, amortization of intangibles, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, cash management, custody and clearing, training, 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 office locations and employees. The following table presents the main components of other expenses:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Deposit client related costs	$ 12,896	$ 10,540	$ 23,267	$ 17,981
Travel and entertainment	5,921	5,469	10,187	10,117
Loan related costs	5,913	4,835	10,862	9,324
Amortization of intangibles	4,199	5,293	8,671	10,860
Insurance expense	2,757	2,779	5,630	5,643
Subscriptions	3,490	3,777	6,760	6,374
Recruiting fees	1,884	1,678	3,302	3,992
Other operating expenses	20,044	18,719	36,972	32,954
Total other expenses	$ 57,104	$ 53,090	$ 105,651	$ 97,245

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 2018 was 16.8%, compared to 15.3% for the second quarter of 2017. The Bank's effective tax rate for the six months ended June 30, 2018 was 18.0%, compared to 16.2% for the six months ended June 30, 2017. The increases in rates for the quarter and six months were primarily due to a reduction in excess tax benefits from a lower level of stock option exercise activity, partially offset by a reduction in the federal tax rate for corporations from 35% to 21% under the Tax Reform Act.

In addition to the impact from the change in the corporate federal tax rate in 2018, 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 from exercise or vesting of share-based awards.

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 (1) FRIM; (2) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"); (3) the Trust Company; and (4) 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 16 to "Item 1. Financial Statements."

Commercial Banking

Net interest income for Commercial Banking for the quarter and six months ended June 30, 2018 was $592.5 million and $1.2 billion, compared to $515.0 million and $999.2 million for the quarter and six months ended June 30, 2017, respectively, an increase of 15% for the quarter and an increase of 16% 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, 2018 was $19.4 million and $32.4 million, compared to $23.9 million and $33.0 million for the quarter and six months ended June 30, 2017, respectively. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest income for Commercial Banking was $26.9 million and $60.0 million for the quarter and six months ended June 30, 2018, compared to $22.8 million and $46.1 million for the quarter and six months ended June 30, 2017, respectively, an increase of 18% for the quarter and an increase of 30% for the six months. The increase for the quarter is primarily due to higher gain on sale of loans. The increase for the six months included a gain from sales of investment securities from the repositioning of the Bank's investment portfolio, as well as higher deposit fees and loan and related fees.

Noninterest expense for Commercial Banking was $378.0 million and $746.4 million for the quarter and six months ended June 30, 2018, compared to $321.6 million and $626.0 million for the quarter and six months ended June 30, 2017, respectively, an increase of 18% for the quarter and an increase of 19% for the six months. The increases were primarily due to higher salaries and employee benefits and investments in information systems. The increases in these expenses were primarily attributable to the addition of new personnel to support higher levels of lending, deposit growth and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities.

Provision for income taxes for Commercial Banking for the quarter and six months ended June 30, 2018 was $34.3 million and $74.3 million, compared to $22.7 million and $52.7 million for the quarter and six months ended June 30, 2017, respectively, an increase of 51% for the quarter and an increase of 41% for the six months. The increases were the result of higher pre-tax income and a reduction in excess tax benefits from a lower level of stock option exercise activity, partially offset by a reduction in the federal tax rate for corporations from 35% to 21% under the Tax Reform Act. In addition, the provision for income taxes varies based on the level of tax-advantaged investments.

Wealth Management

Net interest income for Wealth Management was $19.2 million and $37.6 million for the quarter and six months ended June 30, 2018, compared to $17.0 million and $32.5 million for the quarter and six months ended June 30, 2017, respectively, an increase of 13% for the quarter and an increase of 16% 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 deposit accounts. Net interest income increased primarily as a result of growth in Wealth Management client deposits, including sweep deposit accounts.

Wealth Management client deposits totaled $7.3 billion at both June 30, 2018 and 2017, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $7.0 billion and $7.2 billion for the second quarter of 2018 and 2017, respectively, and averaged $7.1 billion for both the six months ended June 30, 2018 and 2017. 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 1.09% for the second quarter of 2018, compared to 0.94% for the second quarter of 2017, and 1.06% for the six months ended June 30, 2018, compared to 0.92% for the six months ended June 30, 2017.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's holistic approach to generating a full relationship with our clients is reflected in the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated net interest margin was 2.95% and 3.16% for the second quarter of 2018 and 2017, respectively, and was 2.96% and 3.14% for the six months ended June 30, 2018 and 2017, 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 $51.8 million for the second quarter of 2018 and $57.0 million for the second quarter of 2017, and $104.8 million for the six months ended June 30, 2018 and $110.8 million for the six months ended June 30, 2017.

Noninterest income for Wealth Management was $113.9 million and $223.5 million for the quarter and six months ended June 30, 2018, compared to $94.7 million and $180.7 million for the quarter and six months ended June 30, 2017, respectively, an increase of 20% for the quarter and an increase of 24% 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 the addition of new clients, the hiring of new wealth managers, who brought in additional clients, and market appreciation.

Noninterest expense for Wealth Management was $102.9 million and $205.7 million for the quarter and six months ended June 30, 2018, compared to $83.7 million and $165.5 million for the quarter and six months ended June 30, 2017, respectively, an increase of 23% for the quarter and an increase of 24% for the six months. The increases were primarily due to higher salaries and benefits, including incentive compensation, as a result of overall growth in our business and the addition of new wealth managers. We continue to expand our client base capabilities in all markets to grow this segment.

Provision for income taxes for Wealth Management for the quarter and six months ended June 30, 2018 was $8.2 million and $15.3 million, compared to $11.0 million and $17.7 million for the quarter and six months ended June 30, 2017, respectively, a decrease of 26% for the quarter and a decrease of 13% for the six months. The decreases were the result of a reduction in the federal tax rate for corporations from 35% to 21% under the Tax Reform Act, partially offset by higher pre-tax income and a reduction in excess tax benefits from a lower level of stock option exercise activity.

AUM and AUA in the Wealth Management segment, in aggregate, were $121.1 billion at June 30, 2018, compared to $95.4 billion a year ago, an increase of 27%. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, as well as the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
First Republic Investment Management	$ 59,329	$ 55,104	$ 52,712	$ 50,318	$ 47,530
Brokerage and investment:					
Brokerage	50,356	46,150	43,015	40,652	37,658
Money market mutual funds	1,575	2,104	1,671	1,201	1,402
Total brokerage and investment	51,931	48,254	44,686	41,853	39,060
Trust Company:					
Trust	5,125	4,694	4,678	4,441	4,276
Custody	4,739	4,938	4,885	4,734	4,559
Total Trust Company	9,864	9,632	9,563	9,175	8,835
Total AUM and AUA	$ 121,124	$ 112,990	$ 106,961	$ 101,346	$ 95,425

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)	2018	2017	2018	2017
Beginning balance	$ 112,990	$ 90,132	$ 106,961	$ 83,580
Net client flow	5,385	2,877	12,332	5,685
Market appreciation	2,749	2,416	1,831	6,160
Ending balance	$ 121,124	$ 95,425	$ 121,124	$ 95,425

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

	% of AUM				
Investment Type	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Equities	51%	48%	49%	47%	47%
Fixed income	32%	34%	33%	33%	33%
Alternative investments	12%	13%	14%	15%	15%
Cash and cash equivalents	5%	5%	4%	5%	5%
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,	
	2018	2017	2018	2017
First Republic Investment Management	0.58%	0.60%	0.58%	0.58%
Brokerage and investment:				
Brokerage	0.06%	0.06%	0.07%	0.06%
Money market mutual funds	0.45%	0.40%	0.46%	0.44%
Total brokerage and investment	0.07%	0.07%	0.08%	0.08%
Trust Company:				
Trust	0.22%	0.25%	0.22%	0.23%
Custody	0.08%	0.08%	0.08%	0.09%
Total Trust Company	0.15%	0.16%	0.15%	0.16%
Total	0.33%	0.34%	0.33%	0.34%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	June 30, 2018	December 31, 2017
Available-for-sale:		
U.S. Treasury securities	$ —	$ 54,998
Agency residential MBS	29,125	34,574
Other residential MBS	4,721	4,860
Agency commercial MBS	2,082,479	2,255,890
Securities of U.S. states and political subdivisions—taxable	47,448	47,449
Mutual funds and marketable equity securities [1]	—	20,317
Total	$ 2,163,773	$ 2,418,088
Held-to-maturity:		
U.S. Government-sponsored agency securities	$ 1,044,899	$ 1,400,025
Agency residential MBS	1,967,361	2,734,819
Other residential MBS	—	1,631
Agency commercial MBS	3,291,361	3,017,012
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	7,782,243	8,804,924
Tax-exempt nonprofit debentures	145,228	146,529
Taxable municipal securities	52,979	53,005
Total	$ 14,284,071	$ 16,157,945
Equity (fair value):		
Mutual funds and marketable equity securities [1]	$ 19,997	$ —

(1) Beginning January 1, 2018, as a result of the adoption of Accounting Standards Update ("ASU") 2016-01, equity securities with readily determined fair values are no longer classified as securities available-for-sale. Refer to Note 1 in "Item 1. Financial Statements" for additional information.

The total combined investment securities portfolio represented 18% of total assets at June 30, 2018, compared to 21% at December 31, 2017.

During the six months ended June 30, 2018, the Bank early adopted ASU 2017-12 "Derivatives and Hedging." In connection with the adoption of this guidance, the Bank made a one-time transfer of eligible held-to-maturity securities with a carrying amount of $2.1 billion to available-for-sale and recorded $12.3 million of unrealized gain, net of taxes, in accumulated other comprehensive income.

During the six months ended June 30, 2018, the Bank performed a repositioning of its investment portfolio and sold certain available-for-sale U.S. Treasury securities, U.S. Government-sponsored agency securities, agency residential MBS, agency commercial MBS, and tax-exempt municipal securities with proceeds of $2.2 billion, and recognized a gain on sale of $10.7 million.

The average duration of the available-for-sale portfolio was 1.3 years at both June 30, 2018 and December 31, 2017. The average duration of the held-to-maturity portfolio was 7.6 years at June 30, 2018, compared to 7.5 years at December 31, 2017.

At June 30, 2018, 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 $15.3 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, 2018	December 31, 2017
Single family (1-4 units)	$ 34,276	$ 31,508
Home equity lines of credit	2,614	2,736
Multifamily (5+ units)	9,707	8,640
Commercial real estate	6,321	6,083
Single family construction	650	591
Multifamily/commercial construction	1,285	1,117
Total real estate mortgages	54,853	50,675
Business	9,604	8,295
Stock secured	1,380	1,084
Other secured	1,039	1,015
Unsecured	2,270	1,771
Total other loans	14,293	12,165
Total loans	69,146	62,840
Less:		
Allowance for loan losses	(397)	(366)
Loans, net	68,749	62,474
Single family loans held for sale	47	88
Total	$ 68,796	$ 62,562

The following table presents an analysis of the recorded investment in our loan portfolio at June 30, 2018, 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)	$ 13,537	$ 7,769	$ 5,751	$ 3,467	$ 1,011	$ 337	$ 2,451	$ 34,323	50%
Home equity lines of credit	1,110	484	476	285	73	14	172	2,614	4%
Multifamily (5+ units)	4,495	1,916	1,515	260	726	224	571	9,707	14%
Commercial real estate	2,771	1,237	1,089	269	153	142	660	6,321	9%
Business	4,038	1,883	1,556	637	327	25	1,138	9,604	14%
Construction	494	308	620	89	119	28	277	1,935	3%
Stock and other secured	462	621	349	279	35	4	669	2,419	3%
Unsecured	581	620	527	220	95	29	198	2,270	3%
Total	$ 27,488	$ 14,838	$ 11,883	$ 5,506	$ 2,539	$ 803	$ 6,136	$ 69,193	100%
% by location at June 30, 2018	40%	21%	17%	8%	4%	1%	9%	100%	
% by location at December 31, 2017	40%	22%	17%	8%	4%	1%	8%	100%	

At June 30, 2018 and December 31, 2017, approximately 50% and 51%, respectively, of total loans (based on recorded investment) were secured by real estate properties located in California. Future economic or political conditions, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans.

The 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, 2018, 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)	$ 205	$ 2,266	$ 3,163	$ 169	$ 5,803	$ 25,044	$ 3,476	$ 34,323
Home equity lines of credit	2,597	5	—	—	2,602	—	12	2,614
Multifamily (5+ units)	327	340	2,267	92	3,026	4,360	2,321	9,707
Commercial real estate	248	333	509	2	1,092	2,376	2,853	6,321
Business	3,928	1,217	18	6	5,169	275	4,160	9,604
Construction	538	149	—	—	687	20	1,228	1,935
Stock and other secured	466	1,774	—	—	2,240	8	171	2,419
Unsecured	292	75	—	—	367	—	1,903	2,270
Total	$ 8,601	$ 6,159	$ 5,957	$ 269	$ 20,986	$ 32,083	$ 16,124	$ 69,193
% by rate type at June 30, 2018	13%	9%	9%	0%	31%	46%	23%	100%
% by rate type at December 31, 2017	12%	11%	9%	0%	32%	46%	22%	100%

At June 30, 2018, included in the hybrid-rate and fixed-rate loan portfolios are $2.4 billion, or 3% of the total loan portfolio, that either (1) mature within one year; (2) are within one year of adjusting from the initial fixed-rate period; or (3) are committed for sale.

Single Family

Our single family loans include loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans require substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At June 30, 2018, approximately $23.4 billion, or 68%, 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 $21.8 billion, or 69%, of our single family loan portfolio, at December 31, 2017. At June 30, 2018, loans of this type had a weighted average loan-to-value ratio ("LTV") of approximately 56%, based on appraised value at the time of origination, and had credit scores averaging 761 at origination. At June 30, 2018, 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, 2018	
($ in thousands)	**Unpaid Principal Balance**	**% of Total**
LTV at Origination		
Less than or equal to 60%	$ 17,812,931	52.1%
Greater than 60% to 70%	11,195,482	32.7%
Greater than 70% to 80%	5,032,056	14.7%
Greater than 80%	167,396	0.5%
Total	$ 34,207,865	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 759, 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, 2018, approximately 35% of HELOCs are in first lien position, and approximately 50% 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, 2018		
($ in thousands)	**Unpaid Principal Balance**	**Total Commitment**	**% of Unpaid Principal Balance**
CLTV at Origination			
Less than or equal to 60%	$ 1,621,984	$ 5,064,803	62.4%
Greater than 60% to 70%	733,215	1,917,651	28.2%
Greater than 70% to 80%	237,764	621,543	9.2%
Greater than 80%	4,301	8,303	0.2%
Total	$ 2,597,264	$ 7,612,300	100.0%

Multifamily

At June 30, 2018 and December 31, 2017, the unpaid principal balance of multifamily loans was $9.7 billion and $8.7 billion, respectively. At June 30, 2018 and December 31, 2017, included in this portfolio were $4.2 billion and $3.7 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, 2018, for multifamily loans that allow for interest-only payments, the weighted average LTV was 45% based on the appraised value at the time of origination. Additionally, at June 30, 2018 and December 31, 2017, we had committed to lend $371.8 million and $274.4 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, 2018 and December 31, 2017 was $162.5 million and $146.2 million, respectively, representing 1.7% of the portfolio at both June 30, 2018 and December 31, 2017; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate

At June 30, 2018 and December 31, 2017, the unpaid principal balance of commercial real estate loans was $6.3 billion and $6.1 billion, respectively. At both June 30, 2018 and December 31, 2017, included in this portfolio were $1.9 billion and $1.7 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, 2018, 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, 2018 and December 31, 2017, we had committed to lend $338.4 million and $230.5 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, 2018 and December 31, 2017 was $124.7 million and $124.3 million, respectively, representing 2.0% of the portfolio at both June 30, 2018 and December 31, 2017; 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:

	June 30, 2018		December 31, 2017	
($ in thousands)	**Recorded Investment**	**Total Commitment**	**Recorded Investment**	**Total Commitment**
Private Equity/Venture Capital Funds	$ 3,920,832	$ 11,239,125	$ 2,836,888	$ 8,519,497
Schools/Non-profit Organizations	3,227,525	4,081,426	3,060,495	3,819,705
Investment Firms	404,037	881,776	421,116	852,009
Entertainment Industry	464,780	800,240	422,129	774,278
Real Estate Related Entities	359,105	741,986	362,882	725,758
Professional Service Firms	207,858	428,010	208,302	418,690
Aviation/Marine	287,663	294,228	283,545	290,123
Vineyards/Wine	188,489	242,370	175,387	225,522
Clubs and Membership Organizations	149,773	222,497	161,479	230,533
Other	393,564	655,523	363,001	608,204
Total	$ 9,603,626	$ 19,587,181	$ 8,295,224	$ 16,464,319

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, 2018			December 31, 2017		
($ in thousands)	Unpaid Principal Balance	Total Commitment	Utilization Percentage	Unpaid Principal Balance	Total Commitment	Utilization Percentage
Private Equity/Venture Capital Funds	$ 3,781,544	$ 11,096,859	34.1%	$ 2,693,645	$ 8,372,799	32.2%
Schools/Non-profit Organizations	519,576	1,370,393	37.9%	403,937	1,160,455	34.8%
Entertainment Industry	456,700	789,756	57.8%	423,731	774,118	54.7%
Investment Firms	196,692	674,115	29.2%	209,186	639,669	32.7%
Real Estate Related Entities	192,675	573,940	33.6%	219,434	580,668	37.8%
Professional Service Firms	85,024	305,110	27.9%	79,008	288,040	27.4%
Vineyards/Wine	60,274	113,857	52.9%	41,923	91,637	45.7%
Clubs and Membership Organizations	12,046	84,510	14.3%	17,935	86,673	20.7%
Aviation/Marine	105	6,260	1.7%	60	6,170	1.0%
Other	132,420	391,918	33.8%	164,865	407,149	40.5%
Total	$ 5,437,056	$ 15,406,718	35.3%	$ 4,253,724	$ 12,407,378	34.3%

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

	Term Loans	
	Unpaid Principal Balance	
($ in thousands)	June 30, 2018	December 31, 2017
Schools/Non-profit Organizations	$ 2,711,033	$ 2,659,250
Aviation/Marine	287,968	283,953
Investment Firms	207,661	212,340
Clubs and Membership Organizations	137,987	143,860
Private Equity/Venture Capital Funds	142,266	146,698
Professional Service Firms	122,900	130,650
Vineyards/Wine	128,513	133,885
Real Estate Related Entities	168,046	145,090
Entertainment Industry	10,484	160
Other	263,605	201,055
Total	$ 4,180,463	$ 4,056,941

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, 2018, approximately 34% 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, 2018, we have originated approximately $214 billion of loans, of which approximately $34 billion have been sold to investors.

Total loan originations for the quarter and six months ended June 30, 2018 were $9.4 billion and $16.7 billion, compared to $7.3 billion and $12.9 billion for the quarter and six months ended June 30, 2017, respectively, an increase of 28% for the quarter and an increase of 29% for the six months. The increases were due to increases in business lines of credit, multifamily, stock secured and other secured lending. The volume and type of loan originations depend on the level of interest rates, the demand for loans in our markets and other economic conditions.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2018	2017	2018	2017
Single family (1-4 units)	$ 3,125,316	$ 3,053,014	$ 5,452,028	$ 5,569,688
Home equity lines of credit	416,098	424,223	762,431	838,546
Multifamily (5+ units)	921,723	646,538	1,683,307	1,055,484
Commercial real estate	341,707	336,054	617,390	731,623
Construction	384,236	496,813	849,042	735,614
Business	3,097,056	1,654,184	5,154,510	2,606,612
Stock and other secured	748,450	450,674	1,414,996	934,196
Unsecured	318,227	236,884	746,569	467,758
Total loans originated	$ 9,352,813	$ 7,298,384	$ 16,680,273	$ 12,939,521

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, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Single family (1-4 units)	59%	57%	57%	58%	59%
Home equity lines of credit [(1)]	53%	52%	51%	46%	51%
Multifamily (5+ units)	50%	50%	52%	47%	50%
Commercial real estate	47%	49%	46%	49%	43%
Construction	56%	52%	57%	56%	55%

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

The weighted average LTVs in all categories have remained consistent and conservative over the 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, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Single family (1-4 units)	766	765	765	759	765
Home equity lines of credit	768	771	767	769	764

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, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**
Purchase loans	56%	46%	41%	47%	55%
Refinance loans	44%	54%	59%	53%	45%
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, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Single family (1-4 units) [(1)]	57%	57%	58%	58%	58%
Home equity lines of credit [(2)]	52%	52%	52%	53%	53%
Multifamily (5+ units)	51%	52%	52%	52%	52%
Commercial real estate	48%	48%	48%	49%	49%
Construction	55%	55%	55%	54%	54%

(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. As interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers and could increase the risk of default. Subject to market conditions, our ARMs generally provide for a life cap that is 5% to 9% above the initial interest rate, thereby protecting borrowers from unlimited interest rate increases. As part of our standard underwriting guidelines, borrowers undergo a qualification process for an ARM loan assuming an interest rate that is higher than the initial rate.

Asset Quality

We place an asset on nonaccrual status when any installment of principal or interest is 90 days or more past due (except for single family loans that are well secured and in the process of collection) or when management determines the ultimate collection of all contractually due principal or interest to be unlikely. Restructured loans for which we grant payment or 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, 2018	December 31, 2017
Nonaccrual loans:		
Single family (1-4 units)	$ 17,765	$ 16,897
Home equity lines of credit	8,944	8,585
Multifamily (5+ units)	4,398	4,651
Commercial real estate	276	286
Single family construction	—	—
Multifamily/commercial construction	—	—
Business	18,306	5,765
Unsecured	1,231	1,472
Total nonaccrual loans	50,920	37,656
Other real estate owned	—	—
Total nonperforming assets	$ 50,920	$ 37,656
Nonperforming assets to total assets	0.05%	0.04%
Restructured accruing loans	$ 11,568	$ 12,605
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, 2018 and 2017.

Of the loans on nonaccrual status, at June 30, 2018, approximately $24.5 million were current, compared to $21.5 million at December 31, 2017.

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 has 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, and 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 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)	2018	2017	2018	2017
Allowance for loan losses:				
Balance at beginning of period	$ 378,778	$ 314,978	$ 365,932	$ 306,398
Provision	19,370	23,938	32,370	33,026
Charge-offs:				
Single family (1-4 units)	—	(613)	—	(1,145)
Home equity lines of credit	(351)	—	(351)	—
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	(557)	(8)	(561)	(15)
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	—	(134)	(303)	(134)
Total charge-offs	(908)	(755)	(1,215)	(1,294)
Recoveries:				
Single family (1-4 units)	2	6	5	7
Home equity lines of credit	24	21	61	47
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	24	26	125	30
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	87	93	99	93
Total recoveries	137	146	290	177
Net loan charge-offs	(771)	(609)	(925)	(1,117)
Balance at end of period	$ 397,377	$ 338,307	$ 397,377	$ 338,307
Average total loans for the period	$ 66,882,706	$ 55,513,447	$ 65,440,522	$ 54,158,529
Total loans at period end	$ 69,146,894	$ 57,760,075	$ 69,146,894	$ 57,760,075
Total nonaccrual loans	$ 50,920	$ 43,384	$ 50,920	$ 43,384
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.00%	0.00%	0.00%	0.00%
Allowance for loan losses to:				
Total loans	0.57%	0.59%	0.57%	0.59%
Nonaccrual loans	780.4%	779.8%	780.4%	779.8%

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)	**2018**	**2017**	**2018**	**2017**
Single family loans originated	$ 3,125,316	$ 3,053,014	$ 5,452,028	$ 5,569,688
Loans sold:				
Flow sales:				
Agency	$ 7,724	$ 34,261	$ 21,771	$ 83,993
Non-agency	32,865	72,829	88,520	129,031
Total flow sales	40,589	107,090	110,291	213,024
Bulk sales:				
Non-agency	681,332	332,735	773,041	872,556
Total loans sold	$ 721,921	$ 439,825	$ 883,332	$ 1,085,580
Gain on sale of loans:				
Amount	$ 4,045	$ 841	$ 4,734	$ 4,205
Gain as a percentage of loans sold	0.56%	0.19%	0.54%	0.39%

The higher level of gain on sale of loans for the second quarter of 2018, compared to the same period in 2017, was primarily the result of higher margins and higher volume of loans sold. The higher level of gain on sale of loans for the six months ended June 30, 2018, compared to the same period in 2017, 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)	**2018**	**2017**	**2018**	**2017**
Loans serviced for others	$ 12,374,275	$ 11,791,421	$ 12,374,275	$ 11,791,421
Loan servicing fees, net	$ 3,186	$ 3,577	$ 6,705	$ 6,348

Mortgage loans serviced for investors increased to $12.4 billion at June 30, 2018, from $11.8 billion at June 30, 2017, 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, 2018, MSRs were $62.1 million (50 basis points of loans serviced), compared to $61.4 million (52 basis points of loans serviced) at June 30, 2017.

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 $9.1 million on single family loans sold. At June 30, 2018, single family loans serviced for investors that are 90 days or more past due were $2.6 million, or 2 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, 2018, our total deposits were $72.8 billion, a 6% increase from $68.9 billion at December 31, 2017, 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 $66.8 billion and $65.4 billion at June 30, 2018 and December 31, 2017, respectively, and represented 92% of total deposits at June 30, 2018, compared to 95% at December 31, 2017.

Our deposit base consists of: (1) deposits from Preferred Banking Offices, which are retail locations that gather deposits and service all of our clients; (2) Preferred Banking deposits, which are placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; (3) wealth management sweep deposits, which primarily consist of deposits swept from clients' brokerage or other investment accounts; and (4) other deposits, which primarily consist of institutional and operational deposits that are not attributable to any specific deposit location.

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

($ in thousands)	June 30, 2018	December 31, 2017
Preferred Banking Offices		
Northern California	$ 14,019,864	$ 13,249,754
Metropolitan New York	4,548,578	5,555,605
Southern California	3,337,974	3,071,237
Boston	1,539,522	1,384,166
Subtotal	23,445,938	23,260,762
Preferred Banking		
Northern California	18,700,829	17,001,723
Metropolitan New York	10,350,314	10,334,686
Southern California	5,730,865	5,810,717
Boston	7,178,182	6,754,505
Subtotal	41,960,190	39,901,631
Wealth management sweep	4,304,858	4,446,808
Other	3,060,964	1,309,507
Total deposits	$ 72,771,950	$ 68,918,708

The following table presents consumer and business deposits:

($ in thousands)	June 30, 2018	December 31, 2017
Consumer deposits:		
Checking	$ 14,080,267	$ 15,558,482
Money market checking	3,605,017	3,493,205
Money market savings and passbooks	5,757,168	5,714,458
CDs	8,622,404	6,768,422
	32,064,856	31,534,567
Business deposits:		
Checking	29,839,109	28,121,532
Money market checking	6,449,043	5,758,299
Money market savings	2,842,790	3,037,938
CDs	1,576,152	466,372
	40,707,094	37,384,141
Total	$ 72,771,950	$ 68,918,708

We fund a portion of our assets with CDs that have balances greater than $250,000. At June 30, 2018 and December 31, 2017, our CDs having balances greater than $250,000 totaled $5.3 billion and $3.5 billion, respectively. The following table presents the maturities of our CDs greater than $250,000 in size:

($ in thousands)	June 30, 2018
Remaining maturity:	
Three months or less	$ 2,249,008
Over three through six months	754,913
Over six through twelve months	1,200,744
Over twelve months	1,056,094
Total	$ 5,260,759
Percent of total deposits	7%

At June 30, 2018 and December 31, 2017, the weighted average contractual rate paid on CDs was 1.76% and 1.37%, respectively, and the weighted average remaining maturity of CDs was 9.5 months and 11.0 months at the same respective period ends. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	June 30, 2018	
($ in thousands)	Amount	Rate
Certificates of deposit maturing in:		
July 1 - December 31, 2018	$ 4,825,826	1.65%
2019	3,666,064	1.68%
2020	1,318,834	2.31%
2021	165,289	1.98%
2022	109,089	2.16%
2023 and thereafter	113,454	2.52%
Total	$ 10,198,556	1.76%

Other Funding

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

FHLB Advances

As of June 30, 2018, we had short-term FHLB advances of $600.0 million.

Our long-term, laddered maturity, fixed-rate FHLB advances as of June 30, 2018 were $9.7 billion. The weighted average remaining maturity of long-term FHLB advances was 1.4 years at June 30, 2018.

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

($ in thousands)	June 30, 2018 Amount	Rate
FHLB advances maturing in:		
July 1 - December 31, 2018	$ 1,550,000	1.53%
2019	3,650,000	1.63%
2020	3,850,000	2.23%
2021 and thereafter	600,000	2.10%
Total	$ 9,650,000	1.88%

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:

($ in thousands)	June 30, 2018 Carrying Value [(1)]	Rate	Maturity Date
Senior notes:			
Fixed rate, issued June 2014	$ 399,186	2.375%	June 2019
Fixed rate, issued June 2017	$ 496,386	2.500%	June 2022
Subordinated notes:			
Fixed rate, issued August 2016	$ 387,699	4.375%	August 2046
Fixed rate, issued February 2017	$ 389,579	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, 2018 was $19.1 billion and $7.0 billion, respectively. This available borrowing capacity is supported by 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, 2018, our investment securities portfolio of $16.5 billion and cash and cash equivalents of $4.0 billion collectively comprised 22% of total assets. At June 30, 2018, assets that are considered HQLA, including eligible cash, increased to $11.0 billion, compared to $10.5 billion at December 31, 2017.

At June 30, 2018, we had $19.1 billion of unused, available borrowing capacity at the FHLB supported by pledged loans. In addition, we had $7.0 billion of unused, available borrowing capacity at the Federal Reserve Bank discount window collateralized by pledged investment securities. This unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 28% 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, 2018, our loan originations, net of repayments, were $7.0 billion. We also redeemed all of the outstanding shares of our 5.625% Noncumulative Perpetual Series C Preferred Stock, which totaled $150.0 million. These activities were primarily funded by a net increase in deposits of $3.9 billion, investment sales, calls and paydowns, net of purchases, of $2.3 billion, a net increase in FHLB borrowings of $1.9 billion and the sale of $883.3 million of loans. In addition, we completed an underwritten public offering of 5.50% Noncumulative Perpetual Series I Preferred Stock, which added approximately $290.2 million to equity.

At June 30, 2018, we had $600.0 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, 2018, the Bank had loans held for sale of $46.8 million, which were committed to be delivered to investors in the third quarter of 2018.

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

Capital Resources

The Bank maintains capital levels to satisfy regulatory capital requirements and support asset growth. As described in our 2017 Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Requirements," the Basel III Capital Rules determine the components of regulatory capital and the approach for risk weighting assets.

The following table represents the components of our regulatory capital:

($ in thousands)	June 30, 2018	December 31, 2017
Shareholders' equity	$ 8,275,973	$ 7,818,301
CET1 capital adjustments and deductions:		
Preferred stock	(1,140,000)	(990,000)
Goodwill and other intangible assets, net of deferred taxes	(269,041)	(260,827)
Deferred tax assets that arise from net operating loss and tax credit carryforwards, net of deferred tax liabilities	(118,060)	(82,696)
Accumulated other comprehensive loss	17,701	3,840
CET1 capital	6,766,573	6,488,618
Preferred stock	1,140,000	990,000
Additional Tier 1 capital deductions	—	(20,674)
Additional Tier 1 capital	1,140,000	969,326
Tier 1 capital	7,906,573	7,457,944
Tier 2 capital instruments—subordinated notes [1]	777,278	777,084
Qualifying allowance for loan losses [2]	411,177	380,132
Other Tier 2 qualifying instruments	—	229
Tier 2 capital	1,188,455	1,157,445
Total risk-based capital	$ 9,095,028	$ 8,615,389

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

At June 30, 2018 and December 31, 2017, the Bank's noncumulative perpetual preferred stock was 14% and 13% of Tier 1 capital, respectively.

During the six months ended June 30, 2018, we redeemed all of the outstanding shares of our 5.625% Noncumulative Perpetual Series C Preferred Stock, which totaled $150.0 million, plus accrued and unpaid dividends to the date of redemption. We also completed an underwritten public offering of 5.50% Noncumulative Perpetual Series I Preferred Stock, which added approximately $290.2 million to equity. The Bank currently expects to redeem its $200.0 million of 7.00% Noncumulative Perpetual Series E Preferred Stock when such stock becomes redeemable at the Bank's option on or after December 28, 2018, subject to all applicable regulatory approvals.

A "capital conservation buffer" is also required under the Basel III Capital Rules. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a 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 risk-weighted assets.

Our capital ratios exceeded all applicable regulatory requirements at June 30, 2018 for well-capitalized institutions, and our capital conservation buffer of 5.68% exceeded both the current transitional buffer of 1.875% and the fully phased-in minimum requirement of 2.5%. The following table presents our capital ratios and regulatory requirements:

	Actual		Regulatory Requirements		
($ in thousands)	June 30, 2018	December 31, 2017	Well-Capitalized Ratio	Minimum Capital Ratio	Minimum Capital Conservation Buffer [1]
Capital Ratios					
Tier 1 leverage ratio (Tier 1 capital to average assets)	8.83%	8.85%	5.00%	4.00%	—%
CET1 capital to risk-weighted assets	10.18%	10.63%	6.50%	4.50%	1.875%
Tier 1 capital to risk-weighted assets	11.90%	12.22%	8.00%	6.00%	1.875%
Total capital to risk-weighted assets	13.68%	14.11%	10.00%	8.00%	1.875%
Regulatory Capital [2]					
CET1 capital	$ 6,766,573	$ 6,488,618			
Tier 1 capital	$ 7,906,573	$ 7,457,944			
Total capital	$ 9,095,028	$ 8,615,389			
Assets [2]					
Average assets	$ 89,560,555	$ 84,238,404			
Risk-weighted assets	$ 66,461,529	$ 61,054,077			

(1) Beginning on January 1, 2016, a capital conservation buffer is required to be held by banking institutions. The minimum required capital conservation buffer is 1.875% in 2018 and is being phased in through January 1, 2019 when it reaches 2.5%. As of June 30, 2018, our capital conservation buffer was 5.68%, which exceeded both the current transitional buffer of 1.875% and the fully phased-in minimum requirement of 2.5%.

(2) As defined by regulatory capital rules.

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 $883.3 million of loans during the six months ended June 30, 2018.

We have on occasion entered into various types of interest rate exchange agreements to better hedge our interest rate exposure in a way that changes in interest rates do not have a significant negative impact on net interest income. The last such agreement we entered into was in 2011. At June 30, 2018, we did not have any interest rate exchange agreements for hedging purposes.

In addition to the mix and pricing of earning assets and interest-bearing liabilities, our net interest income and net interest margin 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 interest-earning assets and interest-bearing liabilities. The Bank has earning assets with reset periods or maturity of less than one year totaling \$29.0 billion, or 32% of total earning assets at June 30, 2018. Of these earning assets, the Bank has loans, including loans held for sale, which are currently adjustable and reprice with indices or mature within one year totaling \$23.3 billion, or 34% of the total loan portfolio at June 30, 2018. The loan portfolio that reprices at least quarterly to market rate indices, such as Prime or LIBOR, totaled \$14.7 billion, or 21% of the total loan portfolio at June 30, 2018. The loan portfolio with lagging indices, such as COFI and the CMT, totaled \$6.3 billion, or 9% of the total loan portfolio at June 30, 2018. 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 \$2.4 billion, or 3% of the total loan portfolio at June 30, 2018. In addition, at June 30, 2018, the Bank held \$3.6 billion in cash and \$2.0 billion in investment securities (collectively, 27% of total cash and investment securities), that reprice to market rate indices at least quarterly.

Total checking deposits were \$43.9 billion, or 60% of total deposits at June 30, 2018. Total checking deposits include both noninterest-bearing checking accounts and interest-bearing checking accounts, which currently pay a nominal rate of 4 basis points, but exclude money market checking accounts. We do not expect the rate paid on interest-bearing checking deposits to fluctuate much with changes in overall interest rates, consistent with our history. The rates paid on money market savings, money market checking and passbook deposit accounts generally move directionally with changes in short-term prevailing interest rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together totaled \$18.7 billion, or 26% of total deposits at June 30, 2018. CDs were \$10.2 billion, or 14% of total deposits and had a weighted average remaining maturity of 9.5 months at June 30, 2018.

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 \$9.7 billion at June 30, 2018 and had a weighted average remaining maturity of 1.4 years. In addition, the Bank has also issued unsecured, term, fixed-rate senior notes and unsecured, term, fixed-rate subordinated notes. At June 30, 2018, the senior notes had a carrying value of \$895.6 million and mature in June 2019 and June 2022. Also, at June 30, 2018, the subordinated notes had a carrying value of \$777.3 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 bearing checking deposit balance behavior and the possibility of shifts in preference towards interest-bearing products, (5) varying sensitivities of financial instruments due to differing underlying rate indices, (6) loan prepayment speeds for different interest rate scenarios, (7) the effect of interest rate floors, periodic loan caps and lifetime loan caps, (8) the levels of cash held on our balance sheet and (9) overall growth, product mix and repayment rates of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a precise forecast of the actual effect of a change in market interest rates on our results, but rather as a means to better understand 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, 2018, 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, 2019**	**Twelve Months Ending June 30, 2020**
Shock:		
+200 basis points immediately	4.0 %	6.5 %
+100 basis points immediately	2.9 %	4.5 %
-100 basis points immediately	(3.3)%	(5.2)%
-200 basis points immediately	(12.2)%	(19.6)%
Ramp:		
+200 basis points over next 12 months	3.0 %	5.4 %
+100 basis points over next 12 months	2.2 %	3.5 %
-100 basis points over next 12 months	(0.7)%	(4.1)%
-200 basis points over next 12 months	(3.8)%	(15.7)%

As of June 30, 2018, the Bank is slightly asset sensitive, indicating that it would generally benefit from parallel increases in interest rates, given the positive variances in net interest income observed when we compare the two-year earnings simulation results in a 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 deposit balances and mix. In addition, in the second year, the greater asset sensitivity is driven by loan originations and investment purchases at new market interest rates.

With respect to deposit balances, we expect non-interest bearing and interest-bearing checking balances, which exclude money market checking, to migrate from the current level of 60% of total deposits to approximately 56% of total deposits over the two-year horizon, depicting a shift in preference by some account holders towards higher yielding deposit products in a rising rate environment. We expect the rate paid on these checking balances to remain nominal in a rising rate environment and consistent with our historical experience.

Excluding certificates of deposit, the remaining deposits include money market checking, money market savings and passbook accounts and are assumed to reprice by approximately 71% of the change in short-term interest rates over the two-year period, which is 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 (excluding money market checking) to total deposits were to change gradually from 60% at June 30, 2018, to 50% of total deposits over a two-year period, the impact on net interest income from a +200 basis points Ramp would be an increase of 4.2% in the second year, compared to 5.4% 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, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of June 30, 2018, were effective for providing reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act 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, 2018 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 described in Part I, "Item 1A. Risk Factors" in our 2017 Form 10-K. Any of the risks described in our 2017 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, materially and 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 and 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 2018, we sold 32,478 shares of common stock to eligible employees under our Employee Stock Purchase Plan for aggregate cash consideration of $2.8 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 2018, we granted 16,654 restricted stock units, net of forfeitures, that are time vesting. In addition, we granted 884,200 restricted stock units, net of forfeitures, and 300,750 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 $117.7 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

On June 5, 2018, we sold 12,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series I Preferred Stock for aggregate cash consideration of approximately $300.0 million. The aggregate underwriting discount was $9.1 million. Net proceeds, after underwriting discounts, were approximately $290.9 million, which we used for general corporate purposes, which included, among other things, funding loans and purchasing investment securities for our portfolio. We also intend to use the net proceeds from the offering, together with cash on hand, to redeem, subject to all applicable regulatory approvals, our Series E Preferred Stock, which is redeemable at our option on or after December 28, 2018. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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, 2018	/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	Certificate of Determination for the Bank's 5.50% Noncumulative Perpetual Series I Preferred Stock, par value $0.01 per share, incorporated by reference to Exhibit 3.1 of Form 8-K filed on June 12, 2018.
4.1	Deposit Agreement, dated June 12, 2018, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 12, 2018.
4.2	Form of Depositary Receipt (included in Exhibit 4.1).
10.1	Performance Share Unit Agreement, dated as of June 15, 2018, 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.
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.

FIRST REPUBLIC BANK
2017 OMNIBUS AWARD PLAN

PERFORMANCE SHARE UNIT AGREEMENT

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 15, 2018 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and James H. Herbert, II ("Participant").

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

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

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

1. Grant of Performance Share Units.

(a) Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 55,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the 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, 2018 and ending on March 31, 2021.

(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. Continuous Service for purposes of this agreement includes service as Chairman of the Board of Directors.

(d) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in this Agreement, if Participant's Continuous Service is terminated 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
111 Pine Street
San Francisco, CA 94111
Attention: Michael Roffler
Facsimile No.: (415) 262-4131

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

First Republic Bank

By: /s/ Michael J. Roffler

EXHIBIT 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 (55,000 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. 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.

If the 12-quarter average of the reported ROATCE of the Bank for the 12 quarters is less than 10.5%, 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	0
At least 10.5% ROATCE	100%

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

Participant Name: /s/ James Herbert

Accepted on: July 17, 2018

Exhibit 10.2

FIRST REPUBLIC BANK

2017 OMNIBUS AWARD PLAN

PERFORMANCE SHARE UNIT AGREEMENT

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

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

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

WHEREAS, Bank's grant of performance share units is conditioned on Participant's agreeing to the Restrictive Covenants attached as Appendix A (which is an integral part of this Agreement) (the "Restrictive Covenants").

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

Grant of Performance Share Units.

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

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.

Compliance with Employment Policies and Restrictive Covenants. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs shall be conditioned on Participant's compliance with the covenants and other obligations set forth in the Restrictive Covenants and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the PSUs upon Participant's written certification of his or her compliance with any of the Employment Policies and the other provisions of this Section 1(c).

Terms and Conditions.

Restricted Period. The period of time between the Date of Grant and the vesting of PSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 20% of the PSUs shall become vested on each twelve-month anniversary of the Date of Grant, subject to both (i) the Committee's certification of Bank's achievement of a 10.5% or greater return on average tangible common equity ("ROATCE") in the 12-month period ending on the last day of the calendar quarter immediately preceding the vesting date, and (ii) Participant's continuous service as an employee or, if determined by the Committee, a consultant ("Continuous Service") with Bank or its 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.

Impact of a Change In Control on PSUs.

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).

(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.

Treatment of PSUs Upon Termination of Continuous Service.

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

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.

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).

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

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.

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

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.

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

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.

Miscellaneous.

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:

if to Bank:

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

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

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

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).

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.

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.

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).

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

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.

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.

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.

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

IN WITNESS WHEREOF, this Agreement (which includes all of the terms of Appendix A) has been executed and delivered by the parties hereto on the first date set forth above. For the avoidance of doubt, Appendix A contains restrictive covenants that limit the ability of Participant to engage in certain practices following employment with Bank and is an integral part of this Agreement, without which Bank would not have granted the opportunity to earn the PSUs.

First Republic Bank

By: ______________________________

APPENDIX A

RESTRICTIVE COVENANTS

The Restrictive Covenants set forth in this Appendix A to the Performance Share Unit Agreement (the "Agreement") limit the ability of Participant to engage in certain practices following employment with Bank and is an integral part of the Agreement, without which Bank would not have granted the opportunity to earn the PSUs.

1. Non-Competition; Garden Leave.

(a) Non-Competition. You agree that while you are employed by Bank or its Affiliates, you shall not, directly or indirectly (without the prior written consent of Bank), (i) participate in or associate with (including as a director, officer, employee, partner, consultant, agent or advisor) a Competitive Business, nor (ii) hold a 5% or greater equity (including stock options, whether or not exercisable), voting or profit participation interest in a Competitive Business.

(b) Garden Leave. You agree that upon the termination of your employment by Bank or its Affiliates or by you for any reason you shall, upon request by Bank or such Affiliate, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any applicable withholdings) during such period, maintain yourself available to consult with Bank or such Affiliate for 90 days following such termination (the "Garden Leave Period") for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and, during such period, you shall not engage in any Competitive Business. For the avoidance of doubt, during the Garden Leave Period you shall not be eligible to receive any bonus payments, awards or other incentive compensation, unless provided otherwise pursuant to the terms of any applicable award agreements, the Garden Leave Period not being part of your Continuous Service for purposes of the Agreement or concepts similar to continuous service under any other applicable award agreements.

2. Non-Solicitation. You agree that (a) during your employment and for a period ending on the first anniversary following termination of your employment by Bank or its Affiliates or by you for any reason, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any person who is then an employee of Bank or its Affiliates to resign from Bank or its Affiliates or to apply for or accept employment with any other business or enterprise or (b) during your employment and for a period ending on the first anniversary following termination of your employment by Bank or its Affiliates or by you for any reason, except to the extent otherwise agreed in writing by Bank, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any customer or prospective customer of Bank or its Affiliates, to whom you provided services or with whom you otherwise had contact to (i) become a customer of or transact any business with a Competitive Business, or (ii) reduce or refrain from doing any business with Bank or its Affiliates.

3. Non-Disparagement and Non-Disclosure. You agree that, while you are employed by Bank or its Affiliates and thereafter, you will not, in any manner, directly or

indirectly (a) disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or its Affiliates or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically-displayed materials and materials or information displayed on internet- or internet-related sites or (b) 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 Section 3 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its Affiliates; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information.

4. Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were or will promptly be disclosed to your manager, are the sole property of Bank and its Affiliates, and are "works for hire" that are owned by Bank. You agree that while you are employed by Bank or its Affiliates and following termination of your employment for any reason, you will do whatever Bank deems necessary to transfer to Bank or its Affiliates, or to document Bank's ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (a) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its Affiliates are used; (b) such invention is not related to Bank's actual or demonstrably anticipated research and development (or that of any of Bank's Affiliates); and (c) such invention does not result from any work performed by you for Bank or any of its Affiliates. You agree that Bank and its Affiliates expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its Affiliates seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers, or to the terms and conditions of such customers' business relationship with Bank or its Affiliates, constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its Affiliates and may not be used by you for any purpose other than in your employment by or service to Bank or its Affiliates. You also agree that the provisions of the immediately preceding sentence shall apply to information pertaining to prospective customers of Bank or its Affiliates. You further agree that following termination of your employment for

any reason, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or use, copy, transmit or remove (or attempt to use, copy, transmit or remove) any Confidential Information for any purpose. Nothing in this Section 4 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or an Affiliate, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information. For the avoidance of doubt, you and Bank agree that no confidentiality, non-disparagement or other obligation you owe to Bank prohibits you from reporting possible violations of U.S. Federal law or regulation to any governmental agency or entity under any whistleblower protection provision of U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002) or requires you to notify Bank of any such report. In making any such report, however, you are not authorized to disclose communications with counsel that were made for the purpose of receiving legal advice, that contain legal advice or that are protected by the attorney work product or similar privilege. You are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (b) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (c) to your attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

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

6. Reasonableness of Covenant. You agree that the covenants contained herein are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its Affiliates, acquired by you and to avoid actual or apparent conflicts of interest.

7. Injunctive Relief. Without limiting any remedies available to Bank, including the remedies set forth in Section 1(c) of the Agreement, you acknowledge and agree

that a breach of the covenants contained in Sections 1-5 of this Appendix A will result in injury to Bank and its Affiliates for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by Sections 1-5 of this Appendix A or such other relief as may be required specifically to enforce any of the covenants in Sections 1-5 of this Appendix A.

8. Definitions. For purposes of these covenants, the following terms shall have the following meanings:

(a) "Competitive Business" means any business enterprise that either (i) engages in any activity that competes with the business of Bank or its Affiliates or (ii) holds a 5% or greater equity, voting or profit participation interest in any enterprise that engages in such a competitive activity.

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

9. Additional Agreements. For the avoidance of doubt, to the extent you are a party to one or more written agreements with Bank or any Affiliate that contain any confidentiality, non-competition, non-solicitation or non-disparagement covenants, those covenants and related enforcement provisions are deemed part of, and are hereby incorporated into, this Agreement, and the grant of the PSUs shall be deemed additional consideration for your continued compliance with such restrictions.

PARTICIPANT NAME: ______________________

ACCEPTED ON: ______________________

APPENDIX A

RESTRICTIVE COVENANTS

The Restrictive Covenants set forth in this Appendix A to the Performance Share Unit Agreement (the "Agreement") limit the ability of Participant to engage in certain practices following employment with Bank and is an integral part of the Agreement, without which Bank would not have granted the opportunity to earn the PSUs.

10. Non-Competition; Garden Leave.

(a) Non-Competition. You agree that while you are employed by Bank or its Affiliates, you shall not, directly or indirectly (without the prior written consent of Bank), (i) participate in or associate with (including as a director, officer, employee, partner, consultant, agent or advisor) a Competitive Business, nor (ii) hold a 5% or greater equity (including stock options, whether or not exercisable), voting or profit participation interest in a Competitive Business.

(b) Garden Leave. You agree that upon the termination of your employment by Bank or its Affiliates or by you for any reason you shall, upon request by Bank or such Affiliate, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any applicable withholdings) during such period, maintain yourself available to consult with Bank or such Affiliate for 90 days following such termination (the "Consulting Period") for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and, during such period, you shall not engage in any Competitive Business. For the avoidance of doubt, during the Consulting Period you shall not be eligible to receive any bonus payments, awards or other incentive compensation, unless provided otherwise pursuant to the terms of any applicable award agreements, the Consulting Period not being part of your Continuous Service for purposes of the Agreement or concepts similar to continuous service under any other applicable award agreements.

11. Non-Solicitation. You agree that (a) during your employment and for a period ending on the first anniversary following termination of your employment by Bank or its Affiliates or by you for any reason, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any person who is then an employee of Bank or its Affiliates to resign from Bank or its Affiliates or to apply for or accept employment with any other business or enterprise or (b) during your employment, except to the extent otherwise agreed in writing by Bank, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any customer or prospective customer of Bank or its Affiliates, to whom you provided services or with whom you otherwise had contact to (i) become a customer of or transact any business with a Competitive Business, or (ii) reduce or refrain from doing any business with Bank or its Affiliates.

12. Non-Disparagement and Non-Disclosure. You agree that, while you are employed by Bank or its Affiliates, you will not, in any manner, directly or indirectly disparage, portray in a negative light, or make any statement which would be harmful to, or lead to

unfavorable publicity for, Bank or its Affiliates or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically-displayed materials and materials or information displayed on internet- or internet-related sites, except that you may make such disclosure on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this Section 3 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its Affiliates; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information.

13. Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were or will promptly be disclosed to your manager, are the sole property of Bank and its Affiliates and are "works for hire" that are owned by Bank. You agree that while you are employed by Bank or its Affiliates and following termination of your employment for any reason, you will do whatever Bank deems necessary to transfer to Bank or its Affiliates, or to document Bank's ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (a) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its Affiliates are used; (b) such invention is not related to Bank's actual or demonstrably anticipated research and development (or that of any of Bank's Affiliates); and (c) such invention does not result from any work performed by you for Bank or any of its Affiliates. You agree that Bank and its Affiliates expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its Affiliates seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers, or to the terms and conditions of such customers' business relationship with Bank or its Affiliates, constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its Affiliates and may not be used by you for any purpose other than in your employment by or service to Bank or its Affiliates. You also agree that the provisions of the immediately preceding sentence shall apply to information pertaining to prospective customers of Bank or its Affiliates. You further agree that following termination of your employment for any reason, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or use copy,

transmit or remove (or attempt to use, copy, transmit or remove) any Confidential Information for any purpose. Nothing in this Section 4 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or an Affiliate, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information. For the avoidance of doubt, you and Bank agree that no confidentiality, non-disparagement or other obligation you owe to Bank prohibits you from reporting possible violations of U.S. Federal law or regulation to any governmental agency or entity under any whistleblower protection provision of U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002) or requires you to notify Bank of any such report. In making any such report, however, you are not authorized to disclose communications with counsel that were made for the purpose of receiving legal advice, that contain legal advice or that are protected by the attorney work product or similar privilege. You are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (b) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (c) to your attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

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

15. Reasonableness of Covenant. You agree that the covenants contained herein are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its Affiliates, acquired by you and to avoid actual or apparent conflicts of interest.

16. Injunctive Relief. Without limiting any remedies available to Bank, including the remedies set forth in Section 1(c) of the Agreement, you acknowledge and agree that a breach of the covenants contained in Sections 1-5 of this Appendix A will result in injury to Bank and its Affiliates for which there is no adequate remedy at law and that it will not be

possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by Sections 1-5 of this Appendix A or such other relief as may be required specifically to enforce any of the covenants in Sections 1-5 of this Appendix A.

17. Definitions. For purposes of these covenants, the following terms shall have the following meanings:

(a) "Competitive Business" means any business enterprise that either (i) engages in any activity that competes with the business of Bank or its Affiliates or (ii) holds a 5% or greater equity, voting or profit participation interest in any enterprise that engages in such a competitive activity.

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

PARTICIPANT NAME: __________________________

ACCEPTED ON: __________________________

NON-EMPLOYEE DIRECTOR

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.

[Remainder of page intentionally left blank]

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

First Republic Bank

By: ________________________________

____
[Participant]

EXHIBIT 12

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

	Quarter Ended June 30,		Six Months Ended June 30,		Year Ended December 31,				
($ in thousands)	**2018**	**2017**	**2018**	**2017**	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings before adjustment for fixed charges:									
Earnings before adjustment for fixed charges	$ 252,187	$ 220,298	$ 498,466	$ 433,815	$ 912,202	$ 827,596	$ 690,668	$ 669,883	$ 663,559
Fixed charges and preferred stock dividend requirements:									
I. Excluding interest on deposits:									
Interest on borrowings	$ 60,719	$ 40,836	$ 111,048	$ 71,595	$ 165,369	$ 89,946	$ 86,357	$ 91,795	$ 71,026
Estimated interest component of net rental expense	8,306	7,320	16,430	14,454	29,442	25,358	21,400	18,733	17,658
Total fixed charges, excluding interest on deposits	69,025	48,156	127,478	86,049	194,811	115,304	107,757	110,528	88,684
Preferred stock dividend requirements	17,326	24,817	34,736	51,031	100,415	118,666	102,483	96,619	70,732
Fixed charges and preferred stock dividend requirements	$ 86,351	$ 72,973	$ 162,214	$ 137,080	$ 295,226	$ 233,970	$ 210,240	$ 207,147	$ 159,416
Earnings, including fixed charges	$ 321,212	$ 268,454	$ 625,944	$ 519,864	$ 1,107,013	$ 942,900	$ 798,425	$ 780,411	$ 752,243
Ratio of earnings to fixed charges	4.65x	5.57x	4.91x	6.04x	5.68x	8.18x	7.41x	7.06x	8.48x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.72x	3.68x	3.86x	3.79x	3.75x	4.03x	3.80x	3.77x	4.72x
II. Including interest on deposits:									
Interest on borrowings	$ 60,719	$ 40,836	$ 111,048	$ 71,595	$ 165,369	$ 89,946	$ 86,357	$ 91,795	$ 71,026
Estimated interest component of net rental expense	8,306	7,320	16,430	14,454	29,442	25,358	21,400	18,733	17,658
Interest on deposits	62,027	26,355	112,414	48,406	134,786	73,765	61,072	60,454	60,817
Total fixed charges, including interest on deposits	131,052	74,511	239,892	134,455	329,597	189,069	168,829	170,982	149,501
Preferred stock dividend requirements	17,326	24,817	34,736	51,031	100,415	118,666	102,483	96,619	70,732
Fixed charges and preferred stock dividend requirements	$ 148,378	$ 99,328	$ 274,628	$ 185,486	$ 430,012	$ 307,735	$ 271,312	$ 267,601	$ 220,233
Earnings, including fixed charges	$ 383,239	$ 294,809	$ 738,358	$ 568,270	$ 1,241,799	$ 1,016,665	$ 859,497	$ 840,865	$ 813,060
Ratio of earnings to fixed charges	2.92x	3.96x	3.08x	4.23x	3.77x	5.38x	5.09x	4.92x	5.44x
Ratio of earnings to fixed charges and preferred stock dividend requirements	2.58x	2.97x	2.69x	3.06x	2.89x	3.30x	3.17x	3.14x	3.69x

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, 2018

/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, 2018

/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, 2018 (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, 2018

/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, 2018 (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, 2018

/s/ Michael J. Roffler

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