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 March 31, 2017

OR

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

For the transition period from to

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

California	**80-0513856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 Pine Street, 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 April 28, 2017 was 157,240,727.

FIRST REPUBLIC BANK
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	3
	Consolidated Balance Sheets at March 31, 2017 and December 31, 2016	3
	Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 31, 2017 and 2016	4
	Consolidated Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2017 and 2016	5
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	49
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	83
Item 4.	Controls and Procedures	86

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	86
Item 1A.	Risk Factors	86
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	86
Item 3.	Defaults Upon Senior Securities	87
Item 4.	Mine Safety Disclosures	87
Item 5.	Other Information	87
Item 6.	Exhibits	87

SIGNATURES

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	March 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 2,756,385	$ 2,107,722
Securities purchased under agreements to resell	100	100
Investment securities available-for-sale	2,037,657	2,007,258
Investment securities held-to-maturity (fair value of $13,968,167 and $13,153,861 at March 31, 2017 and December 31, 2016, respectively)	13,934,204	13,150,157
Loans	53,932,200	52,008,317
Less: Allowance for loan losses	(314,978)	(306,398)
Loans, net	53,617,222	51,701,919
Loans held for sale	178,226	407,226
Investments in life insurance	1,282,659	1,273,172
Tax credit investments	1,134,172	1,121,416
Prepaid expenses and other assets	954,955	923,224
Premises, equipment and leasehold improvements, net	236,774	207,592
Goodwill	203,177	203,177
Other intangible assets	106,832	112,399
Mortgage servicing rights	61,988	62,410
Total Assets	$ 76,504,351	$ 73,277,772
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 23,622,962	$ 22,740,303
Interest-bearing checking	14,731,109	14,575,890
Money market checking	8,769,899	7,969,787
Money market savings and passbooks	8,527,125	8,203,340
Certificates of deposit	5,556,153	5,113,061
Total Deposits	61,207,248	58,602,381
Short-term borrowings	100,000	100,000
Long-term FHLB advances	5,900,000	5,900,000
Senior notes	398,157	397,955
Subordinated notes	776,803	387,380
Debt related to variable interest entities	25,326	25,973
Other liabilities	1,008,072	955,431
Total Liabilities	69,415,606	66,369,120
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 940,000 and 1,139,525 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	940,000	1,139,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 157,122,490 and 154,292,487 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	1,571	1,543
Additional paid-in capital	3,547,447	3,301,705
Retained earnings	2,595,978	2,459,540
Accumulated other comprehensive income	3,749	6,339
Total Shareholders' Equity	7,088,745	6,908,652
Total Liabilities and Shareholders' Equity	$ 76,504,351	$ 73,277,772

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 March 31, 2017	Quarter Ended March 31, 2016
Interest income:		
Loans	$ 428,398	$ 368,250
Investments	118,058	85,388
Other	3,371	2,815
Cash and cash equivalents	2,668	3,100
Total interest income	552,495	459,553
Interest expense:		
Deposits	22,051	16,508
Borrowings	30,759	18,730
Total interest expense	52,810	35,238
Net interest income	499,685	424,315
Provision for loan losses	9,088	4,492
Net interest income after provision for loan losses	490,597	419,823
Noninterest income:		
Investment management fees	60,895	52,760
Brokerage and investment fees	8,039	7,860
Trust fees	3,202	2,985
Foreign exchange fee income	5,861	5,318
Deposit fees	5,372	4,958
Loan and related fees	3,266	3,240
Loan servicing fees, net	2,771	3,749
Gain on sale of loans	3,364	1,403
Gain (loss) on investment securities, net	(1,435)	3,268
Income from investments in life insurance	9,635	9,026
Other income	489	683
Total noninterest income	101,459	95,250
Noninterest expense:		
Salaries and employee benefits	221,907	185,917
Information systems	45,770	35,037
Occupancy	33,366	27,648
Professional fees	11,165	13,371
FDIC assessments	13,150	9,600
Advertising and marketing	9,026	7,190
Amortization of intangibles	5,567	6,661
Other expenses	38,588	33,770
Total noninterest expense	378,539	319,194
Income before provision for income taxes	213,517	195,879
Provision for income taxes	36,743	38,384
Net income	176,774	157,495
Dividends on preferred stock	15,152	16,460
Net income available to common shareholders	$ 161,622	$ 141,035
Net income	$ 176,774	$ 157,495
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on securities available-for-sale	(3,177)	17,733
Reclassification of (gain) loss on securities available-for-sale to net income	830	(1,874)
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(243)	(28)
Other comprehensive income (loss)	(2,590)	15,831
Comprehensive income	$ 174,184	$ 173,326
Basic earnings per common share	$ 1.04	$ 0.97
Diluted earnings per common share	$ 1.01	$ 0.93
Dividends per common share	$ 0.16	$ 0.15

See accompanying notes to financial statements.

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

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2015	**146,109,790**	**$ 989,525**	**$ 1,461**	**$ 2,770,265**	**$ 1,949,652**	**$ (5,220)**	**$ 5,705,683**
Net income	—	—	—	—	157,495	—	157,495
Other comprehensive income	—	—	—	—	—	15,831	15,831
Issuance of preferred stock, net	—	150,000	—	(4,816)	—	—	145,184
Stock compensation expense	—	—	—	9,773	—	—	9,773
Net issuance of common stock under stock plans	203,881	—	2	(10,596)	—	—	(10,594)
Dividends on preferred stock	—	—	—	—	(16,460)	—	(16,460)
Dividends on common stock	—	—	—	—	(22,187)	—	(22,187)
Balance at March 31, 2016	**146,313,671**	**$ 1,139,525**	**$ 1,463**	**$ 2,764,626**	**$ 2,068,500**	**$ 10,611**	**$ 5,984,725**
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	—	—	—	—	176,774	—	176,774
Other comprehensive loss	—	—	—	—	—	(2,590)	(2,590)
Redemption of preferred stock	—	(199,525)	—	—	—	—	(199,525)
Issuance of common stock, net	2,500,000	—	25	233,700	—	—	233,725
Stock compensation expense	—	—	—	14,948	—	—	14,948
Net issuance of common stock under stock plans	330,003	—	3	(2,906)	—	—	(2,903)
Dividends on preferred stock	—	—	—	—	(15,152)	—	(15,152)
Dividends on common stock	—	—	—	—	(25,184)	—	(25,184)
Balance at March 31, 2017	**157,122,490**	**$ 940,000**	**$ 1,571**	**$ 3,547,447**	**$ 2,595,978**	**$ 3,749**	**$ 7,088,745**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Quarter Ended March 31, 2017	2016
Operating Activities:		
Net income	$ 176,774	$ 157,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,088	4,492
Depreciation, amortization and accretion, net	17,047	7,959
Amortization of mortgage servicing rights	4,634	2,830
Loans originated for sale	(106,416)	(103,804)
Proceeds from sales and principal repayments of loans held for sale	110,685	110,736
Deferred income taxes	51,959	48,150
Gain on sale of loans	(3,364)	(1,403)
(Gain) loss on investment securities, net	1,435	(3,268)
Other net losses	101	—
Noncash cost of stock plans	14,948	9,773
Increase in other assets	(59,083)	(41,003)
Increase (decrease) in other liabilities	40,625	(64,188)
Net Cash Provided by Operating Activities	258,433	127,769
Investing Activities:		
Loan originations, net of principal collections	(2,218,430)	(1,671,844)
Loans purchased	(167,420)	(66,935)
Loans sold	538,917	368,180
Purchases of securities available-for-sale	(105,353)	(613,000)
Proceeds from sales of securities available-for-sale	171,794	1,006,566
Proceeds from paydowns of securities available-for-sale	48,034	20,162
Purchases of securities held-to-maturity	(942,430)	(1,737,823)
Proceeds from sales, calls and paydowns of securities held-to-maturity	157,095	480,643
Purchases of FHLB stock	(1,350)	—
Proceeds from redemptions of FHLB stock	—	17,078
Net change in tax credit investments	(30,881)	(36,842)
Additions to premises, equipment and leasehold improvements, net	(44,809)	(15,968)
Net Cash Used for Investing Activities	(2,594,833)	(2,249,783)
Financing Activities:		
Net increase in deposits	2,606,081	3,041,855
Proceeds from long-term FHLB advances	500,000	—
Repayment of long-term FHLB advances	(500,000)	(200,000)
Proceeds from issuance of subordinated notes	393,748	—
Payment of subordinated notes issuance costs	(4,399)	—
Decrease in debt related to variable interest entities	(647)	(893)
Net proceeds from issuance of preferred stock	—	145,184
Redemption of preferred stock	(199,525)	—
Net proceeds from issuance of common stock	233,725	—
Proceeds from issuance of common stock under employee stock purchase plan	2,441	2,234
Proceeds from stock options exercised	—	19
Payments of employee taxes withheld from share-based awards	(6,025)	(12,701)
Dividends on preferred stock	(15,152)	(16,460)
Dividends on common stock	(25,184)	(22,187)
Net Cash Provided by Financing Activities	2,985,063	2,937,051
Increase in Cash and Cash Equivalents	648,663	815,037
Cash and Cash Equivalents at the Beginning of Period	2,107,722	1,131,110
Cash and Cash Equivalents at the End of Period	$ 2,756,385	$ 1,946,147
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 57,788	$ 32,753
Income taxes	$ 32,046	$ 27,783
Transfer of loans to held for sale	$ 314,954	$ 370,941
Transfer of loans to securities available-for-sale	$ 150,459	$ 63,022
Transfer of securities from available-for-sale to held-to-maturity	$ —	$ 781,165
Transfer of repossessed assets from loans to other assets	$ —	$ 1,307

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 31 years and the current legal entity has been operating since July 1, 2010. Our consolidated financial statements include the accounts of First Republic and its wholly-owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Trust Company of Delaware LLC ("FRTC Delaware"), First Republic Lending Corporation ("FRLC") and Gradifi, Inc. ("Gradifi"). All significant intercompany balances and transactions have been eliminated. In addition, our consolidated financial statements include certain real estate mortgage investment conduits ("REMICs") that were formed in 2000 through 2002, which are variable interest entities ("VIEs") that the Bank consolidates as the primary beneficiary.

The accompanying consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Bank's financial position and results of operations. All such adjustments were of a normal and recurring nature. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q adopted by the FDIC. These consolidated financial statements are intended to be read in conjunction with the Bank's consolidated financial statements, and notes thereto, for the year ended December 31, 2016, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2016 Form 10-K"). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Nature of Operations

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

First Republic originates real estate secured loans and other loans. Real estate secured loans are secured by single family residences, multifamily buildings and commercial real estate properties and loans to construct such properties. Most of the real estate loans that First Republic originates are secured by properties located close to one of its offices in the San Francisco Bay Area, the Los Angeles area, San Diego, Boston or the New York City area. First Republic originates business loans, loans secured by securities and other types of collateral and personal unsecured loans primarily to meet the non-mortgage needs of First Republic's clients. Most of these loans are also made to borrowers in the geographic areas served by the Bank's offices.

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

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

Use of Estimates

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

Reclassifications

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

Accounting Standards Adopted in 2017

During the quarter ended March 31, 2017, the Bank adopted the following accounting standards:

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

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

Recent Accounting Standards

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

- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. The Bank will adopt this guidance effective January 1, 2018 and intends to apply this guidance on a modified retrospective basis. The Bank has performed a preliminary assessment of its contracts with customers, and is currently evaluating the impact of the adoption of the new standard on its consolidated financial statements and disclosures. For the Bank, this guidance applies to the following revenue streams: investment management, brokerage, trust and deposit fees; it

does not apply to interest income, which represents the majority of the Bank's revenues. The Bank does not expect this guidance to have a material impact to its consolidated financial statements.

- In January 2016, the FASB issued ASC 825, "Recognition and Measurement of Financial Assets and Financial Liabilities," which revises certain aspects of the recognition, measurement, presentation and disclosure requirements related to financial assets and financial liabilities. The amendments require equity investments with readily determinable fair values to be measured at fair value, with changes in fair value recognized in net income. There are no changes to accounting for debt securities. In addition, the amendments require disclosure of fair value of financial instruments measured at amortized cost to be presented based on the exit price notion and require separate presentation of financial assets and financial liabilities by measurement category and form. The amendments are effective for interim and annual periods beginning after December 15, 2017 and are applied prospectively. The Bank does not expect this guidance to have a material impact to its consolidated financial statements.

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

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

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

  Certain additional disclosures are required. This guidance is effective for interim and annual periods beginning after December 15, 2019 and is applied using a modified retrospective approach, with certain aspects requiring a prospective approach (if applicable). Early adoption is permitted. The Bank is currently evaluating the impact of this guidance on its consolidated financial statements.

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

- In January 2017, the FASB issued amendments to ASC 350, "Intangibles—Goodwill and Other," which simplify the accounting for goodwill impairment by removing Step 2 of the impairment test, which compared the implied fair value of goodwill to its carrying amount. Measuring the implied fair value of goodwill followed the same process as determining the fair value of individual assets and liabilities assumed in a business combination, which was complex. The amended guidance simplifies the impairment test to only require a comparison of the fair value of a reporting unit with its carrying amount, including the effect of tax deductible goodwill on the carrying amount of the reporting unit. Entities still have the option to perform a qualitative assessment to determine if the quantitative impairment test is needed. The amendments are effective for interim and annual periods beginning after December 15, 2019 and are applied on a prospective basis. Early adoption is permitted. The Bank is currently evaluating the impact of this guidance on its consolidated financial statements.

- In March 2017, the FASB issued amendments to ASC 310 "Receivables—Nonrefundable Fees and Other Costs," which require the premium on purchased callable debt securities to be amortized to the earliest call date, rather than over the contractual life of the securities. The accounting for discounts on callable debt securities does not change. The amendments are effective for interim and annual periods beginning after December 15, 2018 and are applied using a modified retrospective approach. Early adoption is permitted. The Bank is currently evaluating the impact of this guidance on its consolidated financial statements.

Note 2. Investment Securities

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

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2017				
Available-for-sale:				
U.S. Treasury securities	$ 111,220	$ —	$ (459)	$ 110,761
Agency residential mortgage-backed securities (“MBS”)	44,277	201	(544)	43,934
Other residential MBS	7,108	—	(210)	6,898
Agency commercial MBS	1,825,328	4,481	(3,368)	1,826,441
Securities of U.S. states and political subdivisions—taxable	47,251	199	—	47,450
Marketable equity securities	1,807	366	—	2,173
Total	$ 2,036,991	$ 5,247	$ (4,581)	$ 2,037,657
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 1,085,168	$ 154	$ (36,578)	$ 1,048,744
Agency residential MBS	2,778,245	1,819	(59,898)	2,720,166
Other residential MBS	1,817	48	(15)	1,850
Agency commercial MBS	2,517,444	31	(39,814)	2,477,661
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	7,349,247	300,621	(146,739)	7,503,129
Tax-exempt nonprofit debentures	149,256	4,587	(329)	153,514
Taxable municipal securities	53,027	10,076	—	63,103
Total	$ 13,934,204	$ 317,336	$ (283,373)	$ 13,968,167
December 31, 2016				
Available-for-sale:				
U.S. Treasury securities	$ 111,515	$ —	$ (486)	$ 111,029
Agency residential MBS	48,680	194	(645)	48,229
Other residential MBS	7,963	—	(301)	7,662
Agency commercial MBS	1,785,410	5,768	(281)	1,790,897
Securities of U.S. states and political subdivisions—taxable	47,246	247	—	47,493
Marketable equity securities	1,807	141	—	1,948
Total	$ 2,002,621	$ 6,350	$ (1,713)	$ 2,007,258
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 993,179	$ 71	$ (47,482)	$ 945,768
Agency residential MBS	2,689,035	903	(63,036)	2,626,902
Other residential MBS	1,875	40	(47)	1,868
Agency commercial MBS	2,385,928	2,044	(17,989)	2,369,983
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	6,876,777	281,703	(166,321)	6,992,159
Tax-exempt nonprofit debentures	150,322	4,331	(491)	154,162
Taxable municipal securities	53,041	9,978	—	63,019
Total	$ 13,150,157	$ 299,070	$ (295,366)	$ 13,153,861

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the "FHLB") to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At March 31, 2017 and December 31, 2016, the carrying value of investment securities pledged was $6.8 billion and $6.5 billion, respectively, of which $349.9 million and $348.1 million of collateral was required to be pledged under such arrangements as of March 31, 2017 and December 31, 2016, respectively.

In addition, as of March 31, 2017, held-to-maturity tax-exempt municipal securities with a carrying value of $104.5 million and a fair value of $111.6 million have been sold under an agreement to repurchase (the "repurchase agreement"). Such securities had a carrying value of $104.6 million and a fair value of $111.7 million as of December 31, 2016. These investment securities are pledged as collateral under this agreement, which is accounted for as a secured borrowing. The liability for the securities sold under the repurchase agreement was $100.0 million as of March 31, 2017 and December 31, 2016 and matures in the second quarter of 2017. The Bank has nominal credit risk under this arrangement because of the requirement that the Bank maintain a specified collateral amount with its counterparty, which incorporates an agreed-upon level of overcollateralization. The Bank monitors the fair value of these investment securities and, if required, the amount of investment securities held as collateral by the counterparty is adjusted to meet the minimum required under the arrangement.

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

	March 31, 2017						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
U.S. Treasury securities	$ (459)	$ 110,761	$ —	$ —	$ (459)	$ 110,761	2
Agency residential MBS	(11)	3,748	(533)	19,553	(544)	23,301	26
Other residential MBS	—	—	(210)	6,898	(210)	6,898	3
Agency commercial MBS	(3,368)	739,648	—	—	(3,368)	739,648	20
Total	$ (3,838)	$ 854,157	$ (743)	$ 26,451	$ (4,581)	$ 880,608	51
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (36,578)	$ 904,299	$ —	$ —	$ (36,578)	$ 904,299	33
Agency residential MBS	(59,898)	2,505,841	—	—	(59,898)	2,505,841	70
Other residential MBS	—	—	(15)	1,304	(15)	1,304	4
Agency commercial MBS	(39,814)	2,453,150	—	—	(39,814)	2,453,150	62
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(146,739)	2,585,638	—	—	(146,739)	2,585,638	313
Tax-exempt nonprofit debentures	(329)	49,865	—	—	(329)	49,865	3
Total	$ (283,358)	$ 8,498,793	$ (15)	$ 1,304	$ (283,373)	$ 8,500,097	485

	December 31, 2016						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
U.S. Treasury securities	$ (486)	$ 111,029	$ —	$ —	$ (486)	$ 111,029	2
Agency residential MBS	(91)	16,878	(554)	14,511	(645)	31,389	28
Other residential MBS	—	—	(301)	7,662	(301)	7,662	3
Agency commercial MBS	(281)	388,748	—	—	(281)	388,748	5
Total	$ (858)	$ 516,655	$ (855)	$ 22,173	$ (1,713)	$ 538,828	38
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (47,482)	$ 886,528	$ —	$ —	$ (47,482)	$ 886,528	31
Agency residential MBS	(63,036)	2,472,610	—	—	(63,036)	2,472,610	67
Other residential MBS	—	—	(47)	1,315	(47)	1,315	4
Agency commercial MBS	(17,989)	1,828,094	—	—	(17,989)	1,828,094	47
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(166,321)	2,647,244	—	—	(166,321)	2,647,244	323
Tax-exempt nonprofit debentures	(491)	21,745	—	—	(491)	21,745	1
Total	$ (295,319)	$ 7,856,221	$ (47)	$ 1,315	$ (295,366)	$ 7,857,536	473

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

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

U.S. Government-Sponsored Agency Securities. At March 31, 2017, the unrealized losses on the Bank's investments in U.S. Government-sponsored agency securities are primarily due to the increase in market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Agency Residential MBS and Agency Commercial MBS. At March 31, 2017, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to the increase in market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by the U.S. Government or agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Tax-Exempt Municipal Securities. At March 31, 2017, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the increase in market interest rates since the securities were purchased and are not due to the credit quality of the securities. The Bank monitors these securities regularly to determine if any changes in ratings have occurred and conducts its internal credit analysis to determine if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments.

There were no other-than-temporary impairment charges on securities during the quarters ended March 31, 2017 and 2016.

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Available-for-sale:		
Sales proceeds	$ 171,794	$ 1,006,566
Held-to-maturity:		
Sales proceeds	$ —	$ 8,614

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Available-for-sale:		
Gross realized gains on sales	$ 10	$ 4,755
Gross realized losses on sales	(1,445)	(1,495)
Held-to-maturity:		
Gross realized gains on sales	—	8
Total gain (loss) on investment securities, net	$ (1,435)	$ 3,268

The following table presents interest income on investment securities:

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Interest income on tax-exempt securities	$ 66,509	$ 49,500
Interest income on taxable securities	51,549	35,888
Total	$ 118,058	$ 85,388

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.

	March 31, 2017		December 31, 2016	
($ in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Available-for-sale:				
Due in one year or less	$ 55,458	$ 55,354	$ 55,674	$ 55,573
Due after one year through five years	69,811	69,510	70,390	70,048
Due after five years through ten years	999,930	1,003,879	919,092	919,990
Due after ten years	909,985	906,741	955,658	959,699
Total debt securities	$ 2,035,184	$ 2,035,484	$ 2,000,814	$ 2,005,310
Held-to-maturity:				
Due in one year or less	$ 90,375	$ 91,870	$ 89,209	$ 90,352
Due after one year through five years	459,417	494,419	453,318	485,759
Due after five years through ten years	524,323	541,375	303,894	318,848
Due after ten years	12,860,089	12,840,503	12,303,736	12,258,902
Total debt securities	$ 13,934,204	$ 13,968,167	$ 13,150,157	$ 13,153,861

Note 3. Loans and Allowance for Loan Losses

Loan Profile

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At March 31, 2017 and December 31, 2016, approximately 52% of the total loan portfolio was secured by California real estate. At March 31, 2017, approximately 70% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 71% at December 31, 2016.

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

($ in thousands)	March 31, 2017	December 31, 2016
Single family (1-4 units)	$ 27,418,458	$ 26,266,866
Home equity lines of credit	2,641,384	2,634,944
Multifamily (5+ units)	6,952,664	6,676,642
Commercial real estate	5,652,065	5,464,870
Single family construction	502,070	494,616
Multifamily/commercial construction	945,201	919,541
Total real estate mortgages	44,111,842	42,457,479
Business	6,897,282	6,872,327
Stock secured	907,576	822,908
Other secured	758,058	723,648
Unsecured	1,257,442	1,131,955
Total other loans	9,820,358	9,550,838
Total loans	53,932,200	52,008,317
Less:		
Allowance for loan losses	(314,978)	(306,398)
Loans, net	53,617,222	51,701,919
Single family loans held for sale	178,226	407,226
Total	$ 53,795,448	$ 52,109,145

The Bank had pledged $28.1 billion and $27.4 billion of loans to secure borrowings of $5.9 billion from the FHLB as of both March 31, 2017 and December 31, 2016, although only approximately $6.7 billion of collateral was required in connection with the outstanding FHLB advances at each of these dates.

Credit Quality

The Bank has three classes of loans: (1) purchased non-impaired loans; (2) originated non-impaired loans; and (3) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under ASC 310-10-35, "Receivables—Subsequent Measurement," and purchased credit-impaired loans subject to ASC 310-30, "Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality."

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status by class. Of the loans on nonaccrual status, at March 31, 2017, $27.0 million were current, compared to $29.0 million at December 31, 2016.

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At March 31, 2017								
Single Family (1-4 units):								
Purchased non-impaired. . . .	$ 3,993	$ —	$ 650	$ 4,643	$ 1,718,051	$ 1,722,694	$ —	$ 1,313
Originated non-impaired . . .	—	174	—	174	25,654,467	25,654,641	—	174
Impaired.	4,316	—	14,501	18,817	22,306	41,123	—	25,663
	8,309	174	15,151	23,634	27,394,824	27,418,458	—	27,150
Home Equity Lines of Credit:								
Purchased non-impaired. . . .	1,717	—	1,777	3,494	277,876	281,370	—	1,997
Originated non-impaired . . .	—	—	—	—	2,345,535	2,345,535	—	—
Impaired.	1,040	—	1,534	2,574	11,905	14,479	—	9,058
	2,757	—	3,311	6,068	2,635,316	2,641,384	—	11,055
Multifamily (5+ units):								
Purchased non-impaired. . . .	2,551	—	—	2,551	142,015	144,566	—	—
Originated non-impaired . . .	—	—	—	—	6,792,282	6,792,282	—	—
Impaired.	—	—	—	—	15,816	15,816	—	3,257
	2,551	—	—	2,551	6,950,113	6,952,664	—	3,257
Commercial Real Estate:								
Purchased non-impaired. . . .	—	—	—	—	239,172	239,172	—	—
Originated non-impaired . . .	—	—	—	—	5,401,639	5,401,639	—	301
Impaired.	—	—	—	—	11,254	11,254	—	—
	—	—	—	—	5,652,065	5,652,065	—	301
Single Family Construction:								
Purchased non-impaired. . . .	—	—	—	—	2,913	2,913	—	—
Originated non-impaired . . .	—	—	—	—	499,157	499,157	—	—
	—	—	—	—	502,070	502,070	—	—
Multifamily/Commercial Construction:								
Purchased non-impaired. . . .	—	—	—	—	1,165	1,165	—	—
Originated non-impaired . . .	—	—	—	—	944,036	944,036	—	—
	—	—	—	—	945,201	945,201	—	—
Business:								
Purchased non-impaired. . . .	—	—	—	—	219,751	219,751	—	1,298
Originated non-impaired . . .	248	—	—	248	6,663,132	6,663,380	—	1,492
Impaired.	—	—	—	—	14,151	14,151	—	5,724
	248	—	—	248	6,897,034	6,897,282	—	8,514
Stock Secured:								
Purchased non-impaired. . . .	—	—	—	—	3,867	3,867	—	—
Originated non-impaired . . .	—	—	—	—	903,709	903,709	—	—
	—	—	—	—	907,576	907,576	—	—
Other Secured:								
Purchased non-impaired. . . .	—	—	—	—	9,570	9,570	—	—
Originated non-impaired . . .	—	—	—	—	748,488	748,488	—	—
	—	—	—	—	758,058	758,058	—	—
Unsecured:								
Purchased non-impaired. . . .	2	—	—	2	22,684	22,686	—	375
Originated non-impaired . . .	987	—	—	987	1,232,241	1,233,228	—	66
Impaired.	—	—	—	—	1,528	1,528	—	976
	989	—	—	989	1,256,453	1,257,442	—	1,417
Total	$ 14,854	$ 174	$ 18,462	$ 33,490	$ 53,898,710	$ 53,932,200	$ —	$ 51,694

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2016								
Single Family (1-4 units):								
Purchased non-impaired	$ —	$ —	$ 900	$ 900	$ 1,782,497	$ 1,783,397	$ —	$ 1,566
Originated non-impaired	233	—	—	233	24,444,726	24,444,959	—	—
Impaired	—	962	14,202	15,164	23,346	38,510	—	22,994
	233	962	15,102	16,297	26,250,569	26,266,866	—	24,560
Home Equity Lines of Credit:								
Purchased non-impaired	200	512	1,321	2,033	306,524	308,557	—	1,506
Originated non-impaired	—	—	—	—	2,311,998	2,311,998	—	—
Impaired	—	—	2,404	2,404	11,985	14,389	—	8,958
	200	512	3,725	4,437	2,630,507	2,634,944	—	10,464
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	150,905	150,905	—	—
Originated non-impaired	—	—	—	—	6,505,882	6,505,882	—	—
Impaired	—	—	—	—	19,855	19,855	—	4,516
	—	—	—	—	6,676,642	6,676,642	—	4,516
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	267,801	267,801	—	—
Originated non-impaired	—	—	—	—	5,185,319	5,185,319	—	306
Impaired	—	—	—	—	11,750	11,750	—	—
	—	—	—	—	5,464,870	5,464,870	—	306
Single Family Construction:								
Purchased non-impaired	—	2,922	—	2,922	—	2,922	—	—
Originated non-impaired	—	—	—	—	491,694	491,694	—	—
	—	2,922	—	2,922	491,694	494,616	—	—
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,167	1,167	—	—
Originated non-impaired	—	—	—	—	918,374	918,374	—	—
	—	—	—	—	919,541	919,541	—	—
Business:								
Purchased non-impaired	—	—	—	—	289,101	289,101	—	1,293
Originated non-impaired	—	—	—	—	6,568,801	6,568,801	—	1,515
Impaired	—	—	—	—	14,425	14,425	—	5,920
	—	—	—	—	6,872,327	6,872,327	—	8,728
Stock Secured:								
Purchased non-impaired	—	—	—	—	3,866	3,866	—	—
Originated non-impaired	—	—	—	—	819,042	819,042	—	—
	—	—	—	—	822,908	822,908	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	10,501	10,501	—	—
Originated non-impaired	—	—	—	—	713,147	713,147	—	—
	—	—	—	—	723,648	723,648	—	—
Unsecured:								
Purchased non-impaired	26	—	—	26	24,416	24,442	—	386
Originated non-impaired	1	—	—	1	1,106,959	1,106,960	—	60
Impaired	—	—	—	—	553	553	—	—
	27	—	—	27	1,131,928	1,131,955	—	446
Total	$ 460	$ 4,396	$ 18,827	$ 23,683	$ 51,984,634	$ 52,008,317	$ —	$ 49,020

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Actual interest income recognized	$ —	$ —
Interest income under original terms	$ 578	$ 644

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

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

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

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

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

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

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At March 31, 2017					
Single Family (1-4 units):					
Purchased non-impaired	$ 1,706,335	$ 5,210	$ 11,149	$ —	$ 1,722,694
Originated non-impaired	25,640,962	1,435	12,244	—	25,654,641
Impaired	12,730	163	28,230	—	41,123
	27,360,027	6,808	51,623	—	27,418,458
Home Equity Lines of Credit:					
Purchased non-impaired	276,932	1,775	2,663	—	281,370
Originated non-impaired	2,344,634	901	—	—	2,345,535
Impaired	1,785	2,765	9,929	—	14,479
	2,623,351	5,441	12,592	—	2,641,384
Multifamily (5+ units):					
Purchased non-impaired	142,015	—	2,551	—	144,566
Originated non-impaired	6,772,849	17,987	1,446	—	6,792,282
Impaired	12,560	—	3,256	—	15,816
	6,927,424	17,987	7,253	—	6,952,664
Commercial Real Estate:					
Purchased non-impaired	223,179	4,148	11,845	—	239,172
Originated non-impaired	5,371,431	21,753	8,455	—	5,401,639
Impaired	10,474	—	780	—	11,254
	5,605,084	25,901	21,080	—	5,652,065
Single Family Construction:					
Purchased non-impaired	—	—	2,913	—	2,913
Originated non-impaired	498,262	895	—	—	499,157
	498,262	895	2,913	—	502,070
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,165	—	1,165
Originated non-impaired	944,036	—	—	—	944,036
	944,036	—	1,165	—	945,201
Business:					
Purchased non-impaired	212,862	386	5,886	617	219,751
Originated non-impaired	6,637,460	20,397	5,219	304	6,663,380
Impaired	7,484	875	5,792	—	14,151
	6,857,806	21,658	16,897	921	6,897,282
Stock Secured:					
Purchased non-impaired	3,867	—	—	—	3,867
Originated non-impaired	903,172	537	—	—	903,709
	907,039	537	—	—	907,576
Other Secured:					
Purchased non-impaired	9,570	—	—	—	9,570
Originated non-impaired	748,488	—	—	—	748,488
	758,058	—	—	—	758,058
Unsecured:					
Purchased non-impaired	22,162	—	149	375	22,686
Originated non-impaired	1,232,218	—	944	66	1,233,228
Impaired	538	—	990	—	1,528
	1,254,918	—	2,083	441	1,257,442
Total	$ 53,736,005	$ 79,227	$ 115,606	$ 1,362	$ 53,932,200

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

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

As of March 31, 2017 and December 31, 2016, 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 $6.1 million and $5.0 million at March 31, 2017 and December 31, 2016, respectively.

Allowance for Loan Losses

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

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

Originated non-impaired loans are collectively evaluated for estimated losses in accordance with ASC 450, "Contingencies," based on groups of loans with similar risk characteristics that align with the loan portfolio segments. The Bank has maintained an allowance for loan loss model that computes loss factors for each segment based upon our historical losses and current portfolio trends. Any originated loans that subsequently became impaired are evaluated in accordance with ASC 310-10-35. If determined necessary, a specific reserve will be recorded for these loans.

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

The Bank also maintains a qualitative reserve, which represents the qualitative portion of the allowance for loan losses. This qualitative reserve is determined based on management's assessments of the risks that may lead to a loan loss experience different than our historical loss experience and therefore not reflected in the quantitative model. The Bank uses qualitative factors that are intended to address developing external and internal environmental trends and include considerations such as changes in current economic and business conditions, the nature and volume of the Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, along with other external factors, such as competition and the legal and regulatory environment. As of March 31, 2017 and December 31, 2016, the qualitative reserve is allocated to the individual loan portfolios. The allocation considered the qualitative factors relevant to each portfolio, the degree to which the relevant qualitative factors impacted each loan portfolio, and relative portfolio balances. As of March 31, 2016, the qualitative reserve was not allocated to any specific loan portfolios.

The following table presents an analysis of the allowance for loan losses:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Business	Stock Secured	Other Secured	Unsecured	Unallocated [1]	Total
At or for the Quarter Ended March 31, 2017												
Rollforward of allowance for loan losses:												
Balance at beginning of period	$ 40,787	$ 12,083	$ 53,373	$ 48,880	$ 2,112	$ 8,823	$ 118,874	$ 5,102	$ 5,822	$ 10,542	$ —	$ 306,398
Provision (reversal of provision)	4,578	148	2,604	573	353	324	(1,099)	621	123	863	—	9,088
Charge-offs	(532)	—	—	—	—	—	(7)	—	—	—	—	(539)
Recoveries	1	26	—	—	—	—	4	—	—	—	—	31
Balance at end of period	$ 44,834	$ 12,257	$ 55,977	$ 49,453	$ 2,465	$ 9,147	$ 117,772	$ 5,723	$ 5,945	$ 11,405	$ —	$ 314,978
Allowance for loan losses by impairment methodology:												
Purchased non-impaired	$ 787	$ 363	$ 165	$ 1,183	$ 134	$ 3	$ 1,564	$ —	$ —	$ 412	$ —	$ 4,611
Originated non-impaired	44,036	11,622	55,812	48,270	2,331	9,144	116,191	5,723	5,945	10,571	—	309,645
Impaired	11	272	—	—	—	—	17	—	—	422	—	722
Total	$ 44,834	$ 12,257	$ 55,977	$ 49,453	$ 2,465	$ 9,147	$ 117,772	$ 5,723	$ 5,945	$ 11,405	$ —	$ 314,978
Recorded investment in loans:												
Purchased non-impaired	$ 1,722,694	$ 281,370	$ 144,566	$ 239,172	$ 2,913	$ 1,165	$ 219,751	$ 3,867	$ 9,570	$ 22,686		$ 2,647,754
Originated non-impaired	25,654,641	2,345,535	6,792,282	5,401,639	499,157	944,036	6,663,380	903,709	748,488	1,233,228		51,186,095
Impaired	41,123	14,479	15,816	11,254	—	—	14,151	—	—	1,528		98,351
Total	$ 27,418,458	$ 2,641,384	$ 6,952,664	$ 5,652,065	$ 502,070	$ 945,201	$ 6,897,282	$ 907,576	$ 758,058	$ 1,257,442		$ 53,932,200
At or for the Quarter Ended March 31, 2016												
Rollforward of allowance for loan losses:												
Balance at beginning of period	$ 27,614	$ 5,530	$ 25,416	$ 24,690	$ 644	$ 4,218	$ 92,568	$ 1,809	$ 6,610	$ 6,918	$ 65,041	$ 261,058
Provision (reversal of provision)	1,401	283	805	2,964	(11)	368	(5,794)	489	548	2,865	574	4,492
Charge-offs	—	—	—	—	—	—	—	—	—	(11)	—	(11)
Recoveries	3	26	—	—	—	—	8	—	—	3	—	40
Balance at end of period	$ 29,018	$ 5,839	$ 26,221	$ 27,654	$ 633	$ 4,586	$ 86,782	$ 2,298	$ 7,158	$ 9,775	$ 65,615	$ 265,579
Allowance for loan losses by impairment methodology:												
Purchased non-impaired	$ 787	$ 362	$ 291	$ 1,127	$ 125	$ 3	$ 2,622	$ —	$ —	$ 442	$ —	$ 5,759
Originated non-impaired	27,309	5,184	25,798	26,510	508	4,583	84,091	2,298	7,158	9,333	65,615	258,387
Impaired	922	293	132	17	—	—	69	—	—	—	—	1,433
Total	$ 29,018	$ 5,839	$ 26,221	$ 27,654	$ 633	$ 4,586	$ 86,782	$ 2,298	$ 7,158	$ 9,775	$ 65,615	$ 265,579
Recorded investment in loans:												
Purchased non-impaired	$ 2,160,300	$ 389,046	$ 233,724	$ 346,821	$ 2,853	$ 1,165	$ 239,909	$ 4,270	$ 13,061	$ 24,151		$ 3,415,300
Originated non-impaired	21,475,967	2,037,615	5,329,602	4,425,289	421,340	736,787	5,608,282	658,007	572,899	585,641		41,851,429
Impaired	40,984	14,055	27,202	21,477	—	—	25,118	—	—	554		129,390
Total	$ 23,677,251	$ 2,440,716	$ 5,590,528	$ 4,793,587	$ 424,193	$ 737,952	$ 5,873,309	$ 662,277	$ 585,960	$ 610,346		$ 45,396,119

[1] As of March 31, 2017 and December 31, 2016, the qualitative reserve is allocated to the individual loan portfolios. As of March 31, 2016, the qualitative reserve was not allocated to any specific loan portfolios.

Reserve for Unfunded Commitments

The Bank evaluates reserves for unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, business lines of credit and secured/unsecured lines of credit. In determining the level of reserves, the Bank determines the probability of funding for each portfolio segment based on historical utilization statistics specific to that portfolio segment. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $11.7 million and $12.5 million at March 31, 2017 and December 31, 2016, respectively.

Impaired Loans

The following tables present information related to impaired loans:

	At March 31, 2017						
	Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single family (1-4 units)	$ 41,123	$ 41,885	$ 34,735	$ 35,509	$ 6,388	$ 6,376	$ 11
Home equity lines of credit	14,479	14,656	10,118	10,277	4,361	4,379	272
Multifamily (5+ units)	15,816	16,134	15,816	16,134	—	—	—
Commercial real estate	11,254	11,757	11,254	11,757	—	—	—
Business	14,151	15,420	13,276	14,466	875	954	17
Unsecured	1,528	1,685	552	708	976	977	422
Total	$ 98,351	$ 101,537	$ 85,751	$ 88,851	$ 12,600	$ 12,686	$ 722

	At December 31, 2016						
	Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single family (1-4 units)	$ 38,510	$ 39,541	$ 34,102	$ 34,984	$ 4,408	$ 4,557	$ 9
Home equity lines of credit	14,389	14,575	9,488	9,654	4,901	4,921	279
Multifamily (5+ units)	19,855	20,445	19,855	20,445	—	—	—
Commercial real estate	11,750	12,357	11,750	12,357	—	—	—
Business	14,425	15,803	12,989	14,304	1,436	1,499	88
Unsecured	553	711	553	711	—	—	—
Total	$ 99,482	$ 103,432	$ 88,737	$ 92,455	$ 10,745	$ 10,977	$ 376

	Quarter Ended March 31,			
	2017		2016	
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Single family (1-4 units)	$ 39,732	$ 172	$ 38,624	$ 213
Home equity lines of credit	14,048	64	13,695	45
Multifamily (5+ units)	17,484	426	25,356	393
Commercial real estate	11,626	257	21,513	309
Multifamily/commercial construction	—	—	5,400	—
Business	14,636	200	27,054	354
Unsecured	796	12	551	18
Total	$ 98,322	$ 1,131	$ 132,193	$ 1,332

Purchased Credit-Impaired Loans

At March 31, 2017 and December 31, 2016, purchased credit-impaired loans subject to ASC 310-30 had an unpaid principal balance of $46.7 million and $50.7 million, respectively, and a carrying value of $43.8 million and $47.3 million, respectively.

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

	At or for the Quarter Ended March 31,	
($ in thousands)	**2017**	**2016**
Accretable yield:		
Balance at beginning of period	$ 4,427	$ 5,890
Accretion	(1,023)	(1,108)
Reclassification from nonaccretable difference for loans with improving cash flows	—	29
Increase in expected cash flows	571	1,412
Resolutions/payments in full	(47)	—
Balance at end of period	$ 3,928	$ 6,223

	At or for the Quarter Ended March 31,	
($ in thousands)	**2017**	**2016**
Allowance:		
Balance at beginning of period	$ 88	$ 20
Provision	—	1
Reversal of provision	(72)	—
Recoveries	1	—
Balance at end of period	$ 17	$ 21

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 the recorded investment in loans modified in troubled debt restructurings:

	At March 31, 2017			At December 31, 2016		
($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total	Restructured - Nonaccrual	Restructured - Accruing	Total
Single Family (1-4 units):						
Impaired	$ 5,290	$ 8,830	$14,120	$ 5,330	$ 8,857	$14,187
Home Equity Lines of Credit:						
Purchased non-impaired	—	267	267	—	267	267
Impaired	7,204	4,547	11,751	2,977	4,577	7,554
	7,204	4,814	12,018	2,977	4,844	7,821
Multifamily (5+ units):						
Purchased non-impaired	—	291	291	—	294	294
Commercial Real Estate:						
Purchased non-impaired	—	221	221	—	222	222
Business:						
Impaired	5,719	68	5,787	5,904	61	5,965
Unsecured Loans and Lines of Credit:						
Impaired	842	—	842	—	—	—
Total	$ 19,055	$ 14,224	$33,279	$ 14,211	$ 14,278	$28,489

During the quarter ended March 31, 2017, troubled debt restructurings were primarily modified through reductions in interest rate. There were no loans modified that were considered troubled debt restructurings during the quarter ended March 31, 2016. The following table presents the recorded investment in loans modified in troubled debt restructurings during the periods indicated:

	Quarter Ended March 31,	
($ in thousands)	2017	2016
Home Equity Lines of Credit:		
Impaired	$ 4,388	$ —
Unsecured Loans and Lines of Credit:		
Originated non-impaired	843	—
Total	$ 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 March 31, 2017 or 2016 that were modified in the previous twelve months.

Note 4. Mortgage Banking Activities

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

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Total loans originated	$ 5,641,137	$ 4,801,647
Single family loans originated	$ 2,516,674	$ 1,812,817
Loans sold:		
Flow sales:		
Agency	$ 49,732	$ 60,228
Non-agency	56,202	51,575
Total flow sales	105,934	111,803
Bulk sales:		
Non-agency	539,821	365,899
Total loans sold	$ 645,755	$ 477,702
Gain on sale of loans:		
Amount	$ 3,364	$ 1,403
Gain as a percentage of loans sold	0.52%	0.29%

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

($ in thousands)	At or for the Quarter Ended March 31, 2017	At or for the Quarter Ended March 31, 2016
Loans serviced for others:		
Beginning balance	$ 11,655,453	$ 10,531,418
Loans sold	645,755	477,702
Repayments	(463,149)	(351,338)
Loans purchased	—	(3,923)
Ending balance	$ 11,838,059	$ 10,653,859
MSRs:		
Beginning balance	$ 62,410	$ 53,538
Additions due to new loans sold	4,212	3,532
Amortization expense	(4,634)	(2,830)
Reductions due to purchases	—	(15)
Ending balance	$ 61,988	$ 54,225
Estimated fair value of MSRs	$ 81,028	$ 79,557
MSRs as a percent of loans serviced	0.52%	0.51%
Weighted average servicing fee collected for the period (annualized)	0.25%	0.25%
MSRs as a multiple of weighted average servicing fee	2.07x	2.02x

There was no valuation allowance related to MSRs as of or during the quarters ended March 31, 2017 and 2016.

The following table presents loan servicing fees:

	Quarter Ended March 31,	
($ in thousands)	**2017**	**2016**
Contractually specified servicing fees	$ 7,405	$ 6,579
Late charges and ancillary fees, net of costs	$ 266	$ 762

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)	**March 31, 2017**	**December 31, 2016**
Fair value of MSRs	$ 81,028	$ 85,453
Weighted average prepayment speed (CPR)	14.3%	12.3%
Impact on fair value of 10% adverse change	$ (4,221)	$ (4,030)
Impact on fair value of 20% adverse change	$ (8,096)	$ (7,658)
Weighted average discount rate	13.1%	12.9%
Impact on fair value of 10% adverse change	$ (2,822)	$ (3,049)
Impact on fair value of 20% adverse change	$ (5,456)	$ (5,889)

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

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

Note 5. Variable Interest Entities

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

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

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

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

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

	VIEs		
($ in thousands)	**Not consolidated**	**Consolidated**	**Total**
March 31, 2017			
Assets:			
Investment securities held-to-maturity	$ 1,817	$ —	$ 1,817
Loans	—	46,954	46,954
Tax credit investments	1,134,172	—	1,134,172
Other investments	16,959	—	16,959
Total Assets	1,152,948	46,954	1,199,902
Liabilities:			
Debt	—	25,326	25,326
Unfunded commitments—tax credit investments	547,045	—	547,045
Unfunded commitments—other investments	2,923	—	2,923
Total Liabilities	549,968	25,326	575,294
Net Assets	$ 602,980	$ 21,628	$ 624,608
December 31, 2016			
Assets:			
Investment securities held-to-maturity	$ 1,875	$ —	$ 1,875
Loans	—	48,215	48,215
Tax credit investments	1,121,416	—	1,121,416
Other investments	6,932	—	6,932
Total Assets	1,130,223	48,215	1,178,438
Liabilities:			
Debt	—	25,973	25,973
Unfunded commitments—tax credit investments	534,349	—	534,349
Unfunded commitments—other investments	3,318	—	3,318
Total Liabilities	537,667	25,973	563,640
Net Assets	$ 592,556	$ 22,242	$ 614,798

The Bank's exposure to loss with respect to VIEs that are not consolidated would be equal to the Bank's investment in these assets of $1.2 billion at March 31, 2017 and $1.1 billion at December 31, 2016.

Note 6. Goodwill and Intangible Assets

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

	March 31, 2017			December 31, 2016		
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Intangible assets:						
Customer relationship intangibles	$ 133,100	$ (78,574)	$ 54,526	$ 133,100	$ (74,490)	$ 58,610
Core deposit intangibles	87,550	(78,144)	9,406	87,550	(76,661)	10,889
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets (excluding MSRs)	$ 263,550	$ (156,718)	$ 106,832	$ 263,550	$ (151,151)	$ 112,399
MSRs, before valuation allowance	$ 121,662	$ (59,674)	$ 61,988	$ 117,478	$ (55,068)	$ 62,410
Goodwill	$ 203,177			$ 203,177		

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

The following table presents goodwill by business segment:

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

The following table presents the estimated future amortization for amortizable intangible assets as of March 31, 2017. The projections of amortization expense are based on existing asset balances as of March 31, 2017. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	Core deposit intangibles	MSRs
April 1 - December 31, 2017	$ 11,259	$ 3,799	$ 12,030
2018	12,703	3,545	11,990
2019	10,063	1,809	8,733
2020	7,504	253	6,724
2021	5,527	—	5,178
2022	3,671	—	3,987

Note 7. Borrowings

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

	Carrying Values		Interest Expense Quarter Ended March 31,	
($ in thousands)	March 31, 2017	December 31, 2016	2017	2016
Short-term borrowings:				
FHLB advances	$ —	$ —	$ 36	$ 6
Securities sold under agreements to repurchase	100,000	100,000	483	374
Total	100,000	100,000	519	380
Long-term debt:				
FHLB advances	5,900,000	5,900,000	20,615	15,644
Senior notes [(1)]	398,157	397,955	2,577	2,572
Subordinated notes [(1)]	776,803	387,380	6,915	—
Total	7,074,960	6,685,335	30,107	18,216
Other long-term debt:				
Debt related to VIEs	25,326	25,973	133	134
Total borrowings	$ 7,200,286	$ 6,811,308	$ 30,759	$ 18,730

(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.

Securities Sold under Agreements to Repurchase

As of March 31, 2017, securities sold under agreements to repurchase were $100.0 million. The repurchase agreement matures in the second quarter of 2017 and is collateralized by tax-exempt municipal securities.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At March 31, 2017, the Bank had no short-term FHLB advances. At March 31, 2017, all of the long-term FHLB advances were fixed-rate for a specific term. At March 31, 2017, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

($ in thousands)	March 31, 2017	
FHLB advances maturing in:	Amount	Rate
April 1 - December 31, 2017	$ 950,000	1.56%
2018	2,725,000	1.45%
2019	2,025,000	1.46%
2020	—	—%
2021	200,000	1.50%
Total	$ 5,900,000	1.47%

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $162.0 million and $160.7 million at March 31, 2017 and December 31, 2016, respectively. At March 31, 2017 and December 31, 2016, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

Senior Notes and Subordinated Notes

The following table presents the carrying values, coupon rates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes and subordinated notes as of March 31, 2017:

	March 31, 2017		
($ in thousands)	**Carrying Value [1]**	**Rate**	**Maturity Date**
Senior notes:			
Fixed rate, issued June 2014	$ 398,157	2.375%	June 2019
Subordinated notes:			
Fixed rate, issued August 2016	$ 387,432	4.375%	August 2046
Fixed rate, issued February 2017	$ 389,371	4.625%	February 2047

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

Note 8. Derivative Financial Instruments

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

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

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

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

	March 31, 2017			December 31, 2016		
		Fair value			Fair value	
($ in thousands)	Notional or Contractual Amount	Derivative Assets [1]	Derivative Liabilities [2]	Notional or Contractual Amount	Derivative Assets [1]	Derivative Liabilities [2]
Foreign exchange contracts	$ 1,287,514	$ 16,408	$ 15,676	$ 1,425,576	$ 20,048	$ 18,588
Interest rate contracts with borrowers	$ 66,329	113	6	$ 80,670	1	628
Forward loan sale commitments	$ 243,809	64	171	$ 489,818	628	1
Total		$ 16,585	$ 15,853		$ 20,677	$ 19,217

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

[2] Included in other liabilities on the balance sheet.

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

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

	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
March 31, 2017								
Derivative assets:								
Foreign exchange contracts	$ 16,408	$ 9,941	$ 6,467	$ —	$ 6,467	$ 6,467	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 15,676	$ 5,595	$ 10,081	$ —	$ 10,081	$ 6,467	$ 3,614	$ —
December 31, 2016								
Derivative assets:								
Foreign exchange contracts	$ 20,048	$ 7,953	$ 12,095	$ —	$ 12,095	$ 8,400	$ 3,695	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 18,588	$ 10,188	$ 8,400	$ —	$ 8,400	$ 8,400	$ —	$ —

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

Note 9. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Under ASC 820, "Fair Value Measurement," the Bank bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities available-for-sale and derivative instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, which typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets. Nonrecurring fair value adjustments of loans held for sale, MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of real estate secured mortgages represent a write-down based on the fair value of the underlying collateral of the loan, adjusted for certain factors such as estimated costs to sell and current market conditions.

Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions that are matters of judgment. Changes in the assumptions used could significantly affect these estimates.

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

Fair Value Hierarchy

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

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

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

Recurring Fair Value Measurements

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

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

debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

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

The 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
March 31, 2017				
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	$ 110,761	$ —	$ —	$ 110,761
Agency residential MBS	—	43,934	—	43,934
Other residential MBS	—	6,898	—	6,898
Agency commercial MBS	—	1,826,441	—	1,826,441
Securities of U.S. states and political subdivisions—taxable	—	—	47,450	47,450
Marketable equity securities	2,173	—	—	2,173
Derivative assets	—	16,585	—	16,585
Total	$ 112,934	$ 1,893,858	$ 47,450	$ 2,054,242
Liabilities:				
Derivative liabilities	$ —	$ 15,853	$ —	$ 15,853
December 31, 2016				
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	$ 111,029	$ —	$ —	$ 111,029
Agency residential MBS	—	48,229	—	48,229
Other residential MBS	—	7,662	—	7,662
Agency commercial MBS	—	1,790,897	—	1,790,897
Securities of U.S. states and political subdivisions—taxable	—	—	47,493	47,493
Marketable equity securities	1,948	—	—	1,948
Derivative assets	—	20,677	—	20,677
Total	$ 112,977	$ 1,867,465	$ 47,493	$ 2,027,935
Liabilities:				
Derivative liabilities	$ —	$ 19,217	$ —	$ 19,217

There were no transfers in or out of Levels 1 and 2 in the quarters ended March 31, 2017 and 2016.

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

($ in thousands)	Quarter Ended March 31, 2017	2016
Available-for-sale securities of U.S. states and political subdivisions—taxable:		
Balance at beginning of period	$ 47,493	$ 47,436
Unrealized losses included in other comprehensive income	(47)	(2)
Accretion included in interest income	4	2
Balance at end of period	$ 47,450	$ 47,436

There were no transfers in or out of Level 3 assets measured on a recurring basis during the quarters ended March 31, 2017 and 2016.

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
March 31, 2017			
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,450	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps
December 31, 2016			
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,493	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps

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

Nonrecurring Fair Value Measurements

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

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

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

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

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

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

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2017				
Assets:				
Real estate secured mortgages	$ —	$ —	$ 10,988	$ 10,988
December 31, 2016				
Assets:				
Real estate secured mortgages	$ —	$ —	$ 9,116	$ 9,116

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

	Quarter Ended March 31,	
($ in thousands)	2017	2016
Assets:		
Real estate secured mortgages	$ (532)	$ —
Loans held for sale	—	(59)
Total	$ (532)	$ (59)

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	March 31, 2017				
	Carrying Amount	Fair Value			
($ in thousands)		**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 2,756,385	$ 2,756,385	$ 2,756,385	$ —	$ —
Securities purchased under agreements to resell	100	100	100	—	—
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	1,085,168	1,048,744	—	1,048,744	—
Agency residential MBS	2,778,245	2,720,166	—	2,720,166	—
Other residential MBS	1,817	1,850	—	1,850	—
Agency commercial MBS	2,517,444	2,477,661	—	2,477,661	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	7,349,247	7,503,129	—	7,385,880	117,249
Tax-exempt nonprofit debentures	149,256	153,514	—	—	153,514
Taxable municipal securities	53,027	63,103	—	63,103	—
Loans, net:					
Real estate secured mortgages	43,937,709	42,745,612	—	26,841,533	15,904,079
Other loans	9,679,513	9,011,494	—	—	9,011,494
Loans held for sale	178,226	178,491	—	178,491	—
Investments in life insurance	1,282,659	1,282,659	—	—	1,282,659
MSRs	61,988	81,028	—	—	81,028
FHLB stock	162,000	162,000	—	—	162,000
Liabilities:					
Deposits:					
Deposits with no maturity	$ 55,651,095	$ 55,651,095	$ —	$ 55,651,095	$ —
Certificates of deposit	5,556,153	5,587,447	—	—	5,587,447
Securities sold under agreements to repurchase	100,000	100,000	—	100,000	—
Long-term FHLB advances	5,900,000	5,891,099	—	5,891,099	—
Senior notes	398,157	399,612	—	399,612	—
Subordinated notes	776,803	775,617	—	775,617	—
Debt related to VIEs	25,326	22,434	—	22,434	—

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

Note 10. Preferred Stock

At March 31, 2017, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 940,000 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)	March 31, 2017	December 31, 2016
6.70% Noncumulative Perpetual Series A Preferred Stock—No shares authorized, issued or outstanding at March 31, 2017; 199,525 shares authorized, issued and outstanding at December 31, 2016	$ —	$ 199,525
6.20% Noncumulative Perpetual Series B Preferred Stock—150,000 shares authorized, issued and outstanding	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock—200,000 shares authorized; 190,000 shares issued and outstanding	190,000	190,000
7.00% Noncumulative Perpetual Series E Preferred Stock—200,000 shares authorized, issued and outstanding	200,000	200,000
5.70% Noncumulative Perpetual Series F Preferred Stock—115,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
5.50% Noncumulative Perpetual Series G Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding	150,000	150,000
Total	$ 940,000	$ 1,139,525

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

On January 30, 2017 (the "Redemption Date"), the Bank redeemed all of its outstanding shares of the Bank's 6.70% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock"). All 7,981,000 depositary shares, representing a 1/40th interest in the Series A Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $199.5 million plus all accrued and unpaid dividends as of the Redemption Date. As of March 31, 2017, there are no outstanding shares of Series A Preferred Stock. No further dividends are declared on the Series A Preferred Stock after the Redemption Date.

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

	Quarter Ended March 31,	
($ in thousands)	2017	2016
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 1,117	$ 3,342
6.20% Noncumulative Perpetual Series B Preferred Stock	2,325	2,325
5.625% Noncumulative Perpetual Series C Preferred Stock	2,109	2,109
5.50% Noncumulative Perpetual Series D Preferred Stock	2,613	2,613
7.00% Noncumulative Perpetual Series E Preferred Stock	3,500	3,500
5.70% Noncumulative Perpetual Series F Preferred Stock	1,425	1,425
5.50% Noncumulative Perpetual Series G Preferred Stock	2,063	1,146
Total	$ 15,152	$ 16,460

Note 11. Common Stock and Stock Plans

Common Stock

At March 31, 2017, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At March 31, 2017, the Bank had 157,122,490 shares issued and outstanding. During the first quarter of 2017, the Bank sold 2.5 million new shares of common stock in an underwritten public offering, which added $233.7 million to common equity.

First Republic Bank Employee Stock Purchase Plan

Under the Bank's Employee Stock Purchase Plan (the "Purchase Plan"), the Bank is authorized to sell 2,000,000 shares of common stock to its full-time and part-time employees who are regularly employed for 20 hours or more per week. For 2017, employees may purchase shares of the Bank's common stock at 90% of the closing price of the common stock on the New York Stock Exchange on the date of purchase or the nearest prior trading day, subject to an annual limitation of common stock valued at $25,000. For the quarter ended March 31, 2017, a total of 28,884 shares were sold to employees, and the compensation expense for the Purchase Plan was approximately $271,000.

First Republic Bank 2010 Omnibus Award Plan

Under the 2010 Omnibus Award Plan, as amended in 2012 and 2015 (the "Stock Award Plan"), the Bank is authorized to grant 21,427,273 shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units. The Bank has awarded stock options, restricted stock awards, restricted stock units and performance share units to its employees, officers and directors. Upon termination of service, unvested awards are generally forfeited. At March 31, 2017, the Bank had 726,255 shares reserved for future awards under the Stock Award Plan.

Stock Options

At March 31, 2017, the Bank had stock options outstanding of 4,505,515. Generally, stock options vest over a period of up to four years from the grant date and have a maximum contractual life of ten years. Under the Bank's stock option agreements, the exercise price of each option equals the market price of the Bank's common stock at the grant date. Stock option exercises are satisfied by issuing shares from the Bank's authorized shares. The number of shares of common stock issued from stock option exercises is generally net of shares withheld to pay the exercise price or taxes due upon the exercise. The Bank currently has outstanding options that have time vesting requirements ("Time Options"), and performance vesting criteria ("Performance Options"). As of March 31, 2017, all options are fully vested.

The following tables present information related to outstanding stock options:

	Time Options			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding as of December 31, 2016	3,081,650	$15.00		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(27,025)	$15.00		
Options outstanding as of March 31, 2017	3,054,625	$15.00	3.3 years	$240,722,686

	Performance Options			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding as of December 31, 2016	1,732,729	$16.11		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(281,839)	$17.03		
Options outstanding as of March 31, 2017	1,450,890	$15.93	3.3 years	$112,997,040

At March 31, 2017, the weighted average exercise price of all outstanding options was $15.30 and the weighted average remaining contractual term was 3.3 years. The intrinsic value of all options exercised was $23.8 million for the quarter ended March 31, 2017.

Restricted Stock Units

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

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

	Performance RSUs			Time RSUs		
	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2016	1,666,364	$62.61		634,177	$67.45	
Granted	1,700	$93.89		—	—	
Vested	(103,250)	$38.98		—	—	
Canceled or forfeited	(9,000)	$65.85		(1,400)	$66.56	
Nonvested awards as of March 31, 2017	1,555,814	$64.19	2.9 years	632,777	$67.45	2.5 years

The total fair value of Performance RSUs that vested in the quarter ended March 31, 2017 was $10.0 million. No cash consideration was received in connection with the vesting of these awards.

Performance Share Units

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

on equity, return on average tangible common equity and the Tier 1 leverage ratio, and are based on performance periods that are specified for each grant. The following table presents information related to PSUs:

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2016	718,000	$61.29	
Granted	—	—	
Vested	—	—	
Canceled or forfeited	—	—	
Nonvested awards as of March 31, 2017	718,000	$61.29	2.5 years

Restricted Stock Awards

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

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

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2016	92,500	$32.89	
Granted	—	—	
Vested	(29,375)	$35.25	
Canceled or forfeited	—	—	
Nonvested awards as of March 31, 2017	63,125	$31.80	2.3 years

The total fair value of Performance RSAs that vested during the quarter ended March 31, 2017 was $2.8 million. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

As of March 31, 2017, all compensation costs related to stock options have been fully recognized. RSUs, PSUs and RSAs are valued at the closing market price of the Bank's common stock at the grant date, and compensation expense is recognized over the vesting period. The Bank accounts for forfeitures of stock awards in the period they occur.

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

	March 31, 2017	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$ 105,150	2.8
PSUs	26,643	3.3
RSAs	1,692	2.6
Total	$ 133,485	

($ in thousands)	Quarter Ended March 31, 2017 Expense Recognized	Quarter Ended March 31, 2017 Related Tax Benefit
RSUs	$ 11,365	$ 4,796
PSUs	3,000	1,266
RSAs	312	132
Total	$ 14,677	$ 6,194

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:

($ in thousands)	Quarter Ended March 31, 2017 Number of Awards Exercised or Vested	Quarter Ended March 31, 2017 Related Excess Tax Benefit
Stock Options	308,864	$ 9,217
RSUs	103,250	2,604
RSAs	29,375	758
Total	441,489	$ 12,579

Note 12. Accumulated Other Comprehensive Income

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

($ in thousands)	Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total	Statement of Income Line Item for Reclassified Items
Balance at December 31, 2015	**$ (5,220)**	**$ —**	**$ (5,220)**	
Net unrealized gain on securities available-for-sale	30,840	—	30,840	
Related tax effect	(13,107)	—	(13,107)	
Reclassification of gain on securities available-for-sale to net income	(3,260)	—	(3,260)	Gain (loss) on investment securities, net
Related tax effect	1,386	—	1,386	Provision for income taxes
Unrealized gains on securities transferred from available-for-sale to held-to-maturity	(8,574)	8,574	—	
Related tax effect	3,644	(3,644)	—	
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	(50)	(50)	Interest income on investments
Related tax effect	—	22	22	Provision for income taxes
Other comprehensive income	10,929	4,902	15,831	
Balance at March 31, 2016	**$ 5,709**	**$ 4,902**	**$ 10,611**	
Balance at December 31, 2016	**$ 2,733**	**$ 3,606**	**$ 6,339**	
Net unrealized loss on securities available-for-sale	(5,406)	—	(5,406)	
Related tax effect	2,229	—	2,229	
Reclassification of loss on securities available-for-sale to net income	1,435	—	1,435	Gain (loss) on investment securities, net
Related tax effect	(605)	—	(605)	Provision for income taxes
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	(511)	(511)	Interest income on investments
Related tax effect	—	268	268	Provision for income taxes
Other comprehensive loss	(2,347)	(243)	(2,590)	
Balance at March 31, 2017	**$ 386**	**$ 3,363**	**$ 3,749**	

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

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

(in thousands, except per share amounts)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Basic EPS:		
Net income	$ 176,774	$ 157,495
Less: Dividends on preferred stock	15,152	16,460
Net income available to common shareholders	$ 161,622	$ 141,035
Weighted average common shares outstanding	155,012	145,963
Net income per common share—basic	$ 1.04	$ 0.97
Diluted EPS:		
Net income available to common shareholders	$ 161,622	$ 141,035
Weighted average shares:		
Common shares outstanding	155,012	145,963
Dilutive effect of stock options	3,854	4,774
Dilutive effect of restricted stock awards, restricted stock units and performance share units	1,567	964
Weighted average diluted common shares outstanding	160,433	151,701
Net income per common share—diluted	$ 1.01	$ 0.93

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

(in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Restricted stock units	—	7

Note 14. Segment Reporting

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

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

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

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

The following table presents 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 March 31, 2017				
Net interest income	$ 484,207	$ 15,478	$ —	$ 499,685
Provision for loan losses	9,088	—	—	9,088
Noninterest income	23,222	85,978	(7,741)	101,459
Amortization of intangibles	1,483	4,084	—	5,567
Other noninterest expense	302,956	77,757	(7,741)	372,972
Income before provision for income taxes	193,902	19,615	—	213,517
Provision for income taxes	30,062	6,681	—	36,743
Net income	$ 163,840	$ 12,934	$ —	$ 176,774
Goodwill	$ 56,165	$ 147,012	$ —	$ 203,177
Total Assets	$ 76,128,829	$ 539,840	$ (164,318)	$ 76,504,351
At or for the Quarter Ended March 31, 2016				
Net interest income	$ 412,400	$ 11,915	$ —	$ 424,315
Provision for loan losses	4,492	—	—	4,492
Noninterest income	26,073	74,720	(5,543)	95,250
Amortization of intangibles	1,917	4,744	—	6,661
Other noninterest expense	252,926	65,150	(5,543)	312,533
Income before provision for income taxes	179,138	16,741	—	195,879
Provision for income taxes	31,534	6,850	—	38,384
Net income	$ 147,604	$ 9,891	$ —	$ 157,495
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 61,717,589	$ 487,690	$ (102,769)	$ 62,102,510

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

Note 15. Concentration of Deposits

At March 31, 2017 and December 31, 2016, approximately 1% of our deposit relationships hold approximately 46% of total deposits.

Note 16. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the quarter ended March 31, 2017. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the quarter ended March 31, 2017 or disclosure in the notes to the financial statements.

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

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors" in this Quarterly Report or under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K").

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

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

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

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

- Our ability to recruit and retain key managers, employees and board members;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Our ability to maintain and follow high underwriting standards;
- Economic and market conditions affecting the valuation of our investment securities portfolio, which could result in other-than-temporary impairment if the general economy deteriorates, credit ratings decline, the financial condition of issuers deteriorates, interest rates increase or the liquidity for securities is limited;
- Real estate prices generally and in our markets;
- Our geographic and product concentrations;
- Demand for our products and services;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements;
- The phase-in of the final capital rules regarding the Basel III framework, changes to the definitions and components of regulatory capital and a new approach for risk-weighted assets;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital;
- Our ability to avoid litigation and its associated costs and liabilities;
- The impact of new accounting standards;
- Future FDIC special assessments or changes to regular assessments;
- Fraud, cybersecurity and privacy risks; and
- Custom technology preferences of our customers and our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications.

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

Selected Financial Data

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

($ in thousands, except per share amounts)	At or for the Quarter Ended March 31, 2017	At or for the Quarter Ended March 31, 2016
Selected Financial Data:		
Interest income	$ 552,495	$ 459,553
Interest expense	52,810	35,238
Net interest income	499,685	424,315
Provision for loan losses	9,088	4,492
Net interest income after provision for loan losses	490,597	419,823
Noninterest income	101,459	95,250
Noninterest expense	378,539	319,194
Net income	176,774	157,495
Dividends on preferred stock	15,152	16,460
Net income available to common shareholders	$ 161,622	$ 141,035
Selected Ratios:		
Basic earnings per common share ("EPS")	$ 1.04	$ 0.97
Diluted EPS	$ 1.01	$ 0.93
Net income to average assets [(1)]	0.97%	1.03%
Net income available to common shareholders to average common equity [(1)]	11.00%	11.73%
Average total equity to average total assets	9.42%	9.63%
Dividends per common share	$ 0.16	$ 0.15
Dividend payout ratio	15.9%	16.1%
Book value per common share	$ 39.13	$ 33.12
Tangible book value per common share	$ 37.16	$ 31.05
Net interest margin [(1), (2)]	3.13%	3.20%
Efficiency ratio [(3)]	63.0%	61.4%
Selected Asset Quality Ratios:		
Nonperforming assets to total assets	0.07%	0.10%
Net loan charge-offs to average total loans [(1)]	0.00%	0.00%
Capital Ratios:		
Tier 1 leverage ratio [(4)]	9.22%	9.38%
Common Equity Tier 1 ratio [(4)]	11.15%	10.61%
Tier 1 risk-based capital ratio [(4)]	12.94%	13.24%
Total risk-based capital ratio [(4)]	15.04%	13.88%

[(1)] Ratios are annualized.

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

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

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

Introduction

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

Critical Accounting Policies and the Impact of Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for loan losses, mortgage servicing rights, goodwill, identifiable intangible assets, fair value measurements, and income taxes. We base these estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We consider these to be critical accounting policies because of the significance to our financial condition and results of operations and the difficult and subjective judgments, assumptions and estimates involved. Actual results may differ from these estimates under different assumptions or conditions. For discussion of our critical accounting policies and estimates, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2016 Form 10-K.

Current Accounting Developments

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

Key Factors Affecting Our Business and Financial Statements

Regulatory and Supervisory Matters

Our results of operations are affected by the regulatory environment and requirements imposed on us by regulators. The extensive regulation and supervision that govern our business continue to evolve as the legal and regulatory framework changes and as our business grows. As described in our 2016 Form 10-K under "Item 1. Business—Supervision and Regulation," the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States. The Dodd-Frank Act, in turn, may itself be subject to potentially significant changes as a result of the recent 2016 U.S. national election and the new presidential administration, although the nature and extent of any such changes cannot be predicted.

Financial Highlights

At March 31, 2017, total assets were $76.5 billion, a 4% increase compared to $73.3 billion at December 31, 2016 and a 23% increase compared to $62.1 billion at March 31, 2016.

At March 31, 2017, total investment securities were $16.0 billion, a 5% increase compared to $15.2 billion at December 31, 2016 and a 40% increase compared to $11.4 billion at March 31, 2016. Total investment securities represented 21% of total assets at March 31, 2017 and December 31, 2016 and 18% at March 31, 2016. The increases in investment securities were primarily due to purchases of investments that are considered high-quality liquid assets ("HQLA") and purchases of municipal securities. Our holdings of assets that are considered HQLA, including eligible cash, totaled $10.0 billion at March 31, 2017, compared to $9.0 billion at December 31, 2016 and

$7.0 billion at March 31, 2016. At March 31, 2017, such assets represented 13.6% of average total assets for the first quarter of 2017.

At March 31, 2017, loans, excluding loans held for sale, were $53.9 billion, a 4% increase compared to $52.0 billion at December 31, 2016, and a 19% increase compared to $45.4 billion at March 31, 2016. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $30.2 billion and represented 56% of total loans at March 31, 2017, compared to $29.3 billion, or 56% of total loans at December 31, 2016 and $26.2 billion, or 58% of total loans at March 31, 2016.

Loan origination volume was $5.6 billion for the first quarter of 2017, compared to $4.8 billion for the first quarter of 2016, an increase of 17%. The increase was primarily due to an increase in originations of single family and business loans.

Total deposits were $61.2 billion at March 31, 2017, an increase of 4%, compared to $58.6 billion at December 31, 2016 and an increase of 20%, compared to $50.9 billion at March 31, 2016. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. At March 31, 2017, balances in business and personal checking accounts were $38.4 billion, or 63% of total deposits, compared to $37.3 billion, or 64% of total deposits at December 31, 2016 and $32.6 billion, or 64% of total deposits a year ago, as we continued to emphasize building banking relationships through checking and other transaction deposit accounts. At March 31, 2017, business deposits were $32.7 billion and represented 53% of total deposits, compared to $31.0 billion, or 53% of total deposits at December 31, 2016 and $26.8 billion, or 53% of total deposits at March 31, 2016.

Our Common Equity Tier 1 and total risk-based capital ratios at March 31, 2017 were 11.15% and 15.04%, respectively. As described in our 2016 Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Requirements," the Basel III Capital Rules are subject to a phase-in period through the end of 2018. If fully phased-in, our Common Equity Tier 1 and total risk-based capital ratios at March 31, 2017 would have been 11.06% and 14.93%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions. Refer to "—Capital Resources" for further discussion of capital ratios and our capital requirements.

Book value per common share was $39.13 at March 31, 2017, a 5% increase from December 31, 2016 and an 18% increase during the last twelve months. Tangible book value per common share was $37.16 at March 31, 2017, a 5% increase from December 31, 2016 and a 20% increase during the last twelve months.

During the first quarter of 2017, we issued and sold 2.5 million new shares of common stock in an underwritten public offering, which added $233.7 million to common equity.

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

During the first quarter of 2017, we redeemed all outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock, which totaled $199.5 million, plus all accrued and unpaid dividends through the date of redemption.

Cash dividends paid in the first quarter of 2017 were $0.16 per share of common stock to shareholders of record as of January 26, 2017, compared to $0.15 in the first quarter of 2016. On April 13, 2017, we announced an increase of our quarterly cash dividend to $0.17 per share of common stock, which is payable on May 11, 2017 to shareholders of record as of April 27, 2017. Any future payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management assets under management ("AUM") and assets under administration ("AUA") were $90.1 billion at March 31, 2017, an increase of $6.6 billion, or 8%, from $83.6 billion at December 31, 2016 and an increase of $16.7 billion, or 23%, from $73.4 billion at March 31, 2016. The increases in AUM and AUA were due

to market appreciation and net new assets from existing and new clients, including new clients of wealth management teams hired in the first quarter of 2017 and during 2016.

Results of Operations—Quarter Ended March 31, 2017 Compared to Quarter Ended March 31, 2016

Overview

Net income was $176.8 million and $157.5 million for the first quarter of 2017 and 2016, respectively, an increase of $19.3 million, or 12%. Diluted EPS were $1.01, compared to $0.93 for the first quarter of 2016, an increase of 9%.

Net income for the Commercial Banking segment was $163.8 million and $147.6 million for the first quarter of 2017 and 2016, respectively, an increase of 11%. The Wealth Management segment had net income of $12.9 million and $9.9 million for the first quarter of 2017 and 2016, respectively, an increase of 31%. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $499.7 million for the first quarter of 2017, an increase of $75.4 million, or 18%, compared to $424.3 million for the first quarter of 2016. Fully taxable-equivalent net interest income was $548.3 million for the first quarter of 2017, compared to $463.7 million for the first quarter of 2016, an increase of 18%.

On an average basis, interest-earning assets and interest-bearing liabilities for the first quarter of 2017 increased 21% and 22%, respectively, from the first quarter of 2016.

Yields/Rates (Fully Taxable-Equivalent Basis)

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

	Quarter Ended March 31,					
	2017			2016		
($ in thousands)	Average Balance	Interest [1]	Yields/ Rates [2]	Average Balance	Interest [1]	Yields/ Rates [2]
Assets:						
Cash and cash equivalents	$ 1,448,729	$ 2,668	0.75%	$ 2,502,864	$ 3,100	0.50%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	110,945	201	0.72%	21,339	50	0.94%
U.S. Government-sponsored agency securities	1,039,473	7,018	2.70%	745,953	5,686	3.05%
Mortgage-backed securities ("MBS"):						
Agency residential and commercial MBS	6,959,723	43,176	2.48%	4,616,367	29,045	2.52%
Other residential and commercial MBS	9,049	64	2.83%	12,691	71	2.22%
Municipal securities [1]	7,312,792	104,946	5.74%	5,164,403	79,217	6.14%
Other investment securities [3]	2,076	—	0.00%	648	—	0.00%
Total investment securities	15,434,058	155,405	4.03%	10,561,401	114,069	4.32%
Loans:						
Residential real estate	29,791,555	218,076	2.93%	25,865,100	194,110	3.00%
Multifamily	6,753,420	59,109	3.50%	5,578,341	50,856	3.61%
Commercial real estate	5,535,517	56,218	4.06%	4,476,289	48,396	4.28%
Construction	1,437,569	16,515	4.60%	1,155,084	13,581	4.65%
Business [1]	6,819,491	70,339	4.13%	5,901,815	61,447	4.12%
Other	2,752,481	19,397	2.82%	1,641,400	10,613	2.56%
Total loans	53,090,033	439,654	3.32%	44,618,029	379,003	3.38%
Federal Home Loan Bank ("FHLB") stock	161,310	3,371	8.48%	132,440	2,815	8.55%
Total interest-earning assets	70,134,130	601,098	3.43%	57,814,734	498,987	3.44%
Noninterest-earning assets:						
Noninterest-earning cash	307,359			269,185		
Goodwill and other intangibles	312,628			305,588		
Other assets	3,168,092			2,947,952		
Total noninterest-earning assets	3,788,079			3,522,725		
Total Assets	$ 73,922,209			$ 61,337,459		
Liabilities and Equity:						
Deposits:						
Checking	$ 37,351,531	1,126	0.01%	$ 31,782,794	533	0.01%
Money market checking and savings	16,299,170	4,989	0.12%	13,529,204	2,322	0.07%
Certificates of deposit ("CDs")	5,346,421	15,936	1.21%	4,543,388	13,653	1.21%
Total deposits	58,997,122	22,051	0.15%	49,855,386	16,508	0.13%
Borrowings:						
Short-term borrowings	121,945	519	1.72%	105,494	380	1.45%
Long-term FHLB advances	5,786,111	20,615	1.44%	3,857,143	15,644	1.63%
Senior notes [4]	398,058	2,577	2.59%	397,261	2,572	2.59%
Subordinated notes [4]	590,688	6,915	4.68%	—	—	—%
Other borrowings	25,876	133	2.05%	29,273	134	1.83%
Total borrowings	6,922,678	30,759	1.79%	4,389,171	18,730	1.71%
Total interest-bearing liabilities	65,919,800	52,810	0.32%	54,244,557	35,238	0.26%
Noninterest-bearing liabilities	1,040,994			1,184,329		
Preferred equity	1,004,291			1,073,591		
Common equity	5,957,124			4,834,982		
Total Liabilities and Equity	$ 73,922,209			$ 61,337,459		
Net interest spread [5]			3.11%			3.18%
Net interest income (fully taxable-equivalent basis) and net interest margin [6]		$ 548,288	3.13%		$ 463,749	3.20%

(continued on following page)

(continued from previous page)

(1) Presented on a fully taxable-equivalent basis. Reported interest income was increased by $37.3 million for the first quarter of 2017 and $28.7 million for the first quarter of 2016 to determine the yield on tax-exempt investment securities on a fully taxable-equivalent basis. Reported interest income was increased by $11.3 million for the first quarter of 2017 and $10.8 million for the first quarter of 2016 to determine the yield on tax-exempt loans on a fully taxable-equivalent basis.

(2) Yields/rates are annualized.

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

(4) Average balances 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

Loans

Interest income on loans increased $60.1 million, or 16%, to $428.4 million for the first quarter of 2017, from $368.3 million for the first quarter of 2016 due to continued growth in average loan balances. Fully taxable-equivalent interest income on loans was $439.7 million for the first quarter of 2017, compared to $379.0 million for the first quarter of 2016, an increase of 16%.

Average loan balances were $53.1 billion for the first quarter of 2017, compared to $44.6 billion for the first quarter of 2016, an increase of 19%. The average yield on loans was 3.32% for the first quarter of 2017, compared to 3.38% for the first quarter of 2016.

Interest income on loans included prepayment penalty fees of $1.7 million for the first quarter of 2017, compared to $2.4 million for the first quarter of 2016. The decrease was primarily due to lower prepayments on single family, multifamily and commercial real estate loans.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans with higher fixed rates, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.22% at March 31, 2017, compared to 3.17% at December 31, 2016 and 3.18% at March 31, 2016. For adjustable-rate mortgages ("ARMs"), the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At March 31, 2017, approximately 37% of our total loans were adjustable-rate or mature within one year, compared to 38% at December 31, 2016 and March 31, 2016.

Investments

Interest income on investments was $118.1 million for the first quarter of 2017, compared to $85.4 million for the first quarter of 2016, an increase of $32.7 million, or 38%. The increase was due to the purchases of new investments. Average investment balances were $15.4 billion for the first quarter of 2017, compared to $10.6 billion for the first quarter of 2016, an increase of 46%, primarily due to purchases of investments that are considered HQLA and purchases of municipal securities. The average yield on investment securities was 4.03%, compared to 4.32% for the first quarter of 2016, a decline of 29 basis points. The yield decline was the result of a change in mix of the investment portfolio from increases in our holdings of agency MBS, which are considered HQLA, and also due to purchases of new municipal securities at slightly lower yields than the existing portfolio as a result of the interest rate environment. Fully taxable-equivalent interest income on investments was $155.4 million during the first quarter of 2017, compared to $114.1 million during the first quarter of 2016, an increase of 36%.

FHLB Stock

Dividends on FHLB stock were $3.4 million for the first quarter of 2017, compared to $2.8 million for the first quarter of 2016, an increase of $556,000, or 20%. The average yield on FHLB stock was 8.48% for the first quarter of 2017, compared to 8.55% for the first quarter of 2016. The increase in dividend income was due to higher

average FHLB stock balances. Average FHLB stock balances were $161.3 million for the first quarter of 2017, compared to $132.4 million for the first quarter of 2016, an increase of 22%.

Interest Expense

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes, subordinated notes and other borrowings. Total interest expense for the first quarter of 2017 increased 50% to $52.8 million, from $35.2 million for the first quarter of 2016. The increase was the result of an increase of 22% in average interest-bearing liabilities, which were $65.9 billion for the first quarter of 2017, compared to $54.2 billion for the first quarter of 2016 and an increase in the average cost of interest-bearing liabilities to 0.32% from 0.26% for the first quarter of 2016.

Deposits

Interest expense on deposits was $22.1 million for the first quarter of 2017, compared to $16.5 million for the first quarter of 2016, an increase of $5.5 million, or 34%. The increase in interest expense was driven by growth in deposit balances, along with a slight increase in rates paid on deposits. The average interest rate paid on deposits was 0.15% for the first quarter of 2017, compared to 0.13% for the first quarter of 2016.

Average deposit balances were $59.0 billion for the first quarter of 2017, an increase of 18% from $49.9 billion for the first quarter of 2016. Average checking account balances comprised 63% of average total deposits for the first quarter of 2017, compared to 64% for the first quarter of 2016. Average money market checking and savings accounts were 28% of average total deposits for the first quarter of 2017, compared to 27% for the first quarter of 2016. Average CD balances were 9% of average total deposits for both the first quarter of 2017 and the first quarter of 2016.

At March 31, 2017 and 2016, the weighted average contractual rate paid on total deposits was 0.16% and 0.13%, respectively. At March 31, 2017, our total deposits were $61.2 billion, compared to $50.9 billion at March 31, 2016, an increase of 20%. 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 $30.8 million for the first quarter of 2017, compared to $18.7 million for the first quarter of 2016, an increase of $12.0 million, or 64%. Such increase was primarily due to an increase in long-term FHLB advances and two new issuances of 30-year, fixed-rate subordinated notes.

Short-term borrowings, which include federal funds purchased, short-term FHLB advances and securities sold under agreements to repurchase, have an original maturity of one year or less. At March 31, 2017 and 2016, short-term borrowings were $100.0 million. Interest expense on short-term borrowings was $519,000 for the first quarter of 2017, compared to $380,000 for the first quarter of 2016. The increase was primarily due to an increase in average short-term borrowings to $121.9 million, compared to $105.5 million for the first quarter of 2016. The average cost of short-term borrowings was 1.72% for the first quarter of 2017, compared to 1.45% for the first quarter of 2016.

At March 31, 2017, long-term FHLB advances outstanding were $5.9 billion, compared to $3.8 billion at March 31, 2016. Interest expense on long-term FHLB advances was $20.6 million for the first quarter of 2017, compared to $15.6 million for the first quarter of 2016, an increase of 32%. The increase was primarily due to higher average balances, partially offset by a decrease in the average cost of long-term FHLB advances. Average long-term FHLB advances were $5.8 billion, compared to $3.9 billion for the first quarter of 2016, an increase of 50%. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 9% for the

first quarter of 2017, compared to 7% for the first quarter of 2016. The average cost of long-term FHLB advances was 1.44% for the first quarter of 2017, compared to 1.63% for the first quarter of 2016.

At March 31, 2017, the carrying value of unsecured senior notes issued in June 2014 was $398.2 million, compared to $397.4 million at March 31, 2016. Interest expense on our fixed-rate senior notes for both the first quarter of 2017 and the first quarter of 2016 was $2.6 million, and includes contractual interest, increased by amortization of issuance discounts and offering costs. The senior notes mature on June 17, 2019.

At March 31, 2017, the carrying value of unsecured subordinated notes issued in August 2016 and February 2017 totaled $776.8 million. Interest expense on our fixed-rate subordinated notes for the first quarter of 2017 was $6.9 million and includes contractual interest, increased by amortization of issuance discounts and offering costs. The subordinated notes mature in 2046 and 2047, respectively.

Provision for Loan Losses

The provision for loan losses was $9.1 million for the first quarter of 2017, compared to $4.5 million for the first quarter of 2016. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Investment management fees	$ 60,895	$ 52,760
Brokerage and investment fees	8,039	7,860
Trust fees	3,202	2,985
Foreign exchange fee income	5,861	5,318
Deposit fees	5,372	4,958
Loan and related fees	3,266	3,240
Loan servicing fees, net	2,771	3,749
Gain on sale of loans	3,364	1,403
Gain (loss) on investment securities, net	(1,435)	3,268
Income from investments in life insurance	9,635	9,026
Other income	489	683
Total noninterest income	$ 101,459	$ 95,250

Noninterest income for the first quarter of 2017 was $101.5 million, an increase of $6.2 million, or 7%, compared to $95.3 million for the first quarter of 2016. The increase in noninterest income was primarily due to increases in investment management fees and gain on sale of loans, partially offset by the net loss on investment securities and reduced net loan servicing fees.

Investment management fees. Investment management fees were $60.9 million for the first quarter of 2017, a 15% increase from $52.8 million for the first quarter of 2016. The increase in investment management fees was due to an increase in AUM 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 portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. Investment management fees vary with the amount of assets managed by our investment management subsidiary and the type of investment chosen by the client. Generally, these investment advisors earn higher fees for managing equity securities than for managing a fixed income portfolio. The future level of these fees depends on the level and mix of AUM, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $8.0 million for the first quarter of 2017, compared to $7.9 million for the first quarter of 2016. Such fees vary based on the level and mix of AUA, conditions in the equity markets, level of sales of insurance and annuity products, and our ability to attract new clients.

Trust fees. Trust fees for the first quarter of 2017 were $3.2 million compared to $3.0 million for the first quarter of 2016, a 7% increase. The increase was primarily due to increases in assets under custody or administration from existing and new clients. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

Foreign exchange fee income. Foreign exchange fee income represents fees we earn from transacting foreign exchange business on behalf of our customers. We earned $5.9 million on foreign exchange business for the first quarter of 2017, compared to $5.3 million for the first quarter of 2016, an increase of 10%. The amount of foreign exchange fees is primarily driven by volume of activity from both existing and new clients.

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

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $5.4 million for the first quarter of 2017, an increase of 8% from $5.0 million for the first quarter of 2016. The increase in deposit fees was primarily driven by volume of activity from both existing and new clients and growth in overall deposits.

Loan and related fees. Loan and related fee income was $3.3 million for the first quarter of 2017, compared to $3.2 million for the first quarter of 2016. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan-related processing fees that vary with market conditions and loan origination volumes; prepayment penalties on sold loans; and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates. We collected prepayment penalty fees on loans serviced for others of $661,000 and $1.0 million for the first quarter of 2017 and 2016, respectively.

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Contractually specified servicing fees	$ 7,405	$ 6,579
Amortization expense	(4,634)	(2,830)
Loan servicing fees, net	$ 2,771	$ 3,749

Contractual servicing fees were $7.4 million for the first quarter of 2017, compared to $6.6 million for the first quarter of 2016, an increase of 13%. The increase was primarily due to the growth in the servicing portfolio. The average servicing portfolio for the first quarter of 2017 was $11.7 billion, compared to $10.5 billion a year ago, an increase of 12%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for both the first quarter of 2017 and the first quarter of 2016.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the first quarter of 2017, the overall annualized repayment speed experienced on loans serviced was 15%, compared to 13% for the first quarter of 2016. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release any valuation allowance, if any, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Gain on sale of loans. For the first quarter of 2017, the gain on the sale of $645.8 million of loans was $3.4 million (52 basis points on the loans sold), compared to net gains for the first quarter of 2016 of $1.4 million on loan sales of $477.7 million (29 basis points on the loans sold). The higher level of gains was the result of higher margins and a higher volume of loans sold. The net gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

Gain (loss) on investment securities, net. Net loss on investment securities was $1.4 million for the first quarter of 2017, compared to a net gain on investment securities of $3.3 million for the first quarter of 2016. The gain from sales of investments during the first quarter of 2016 was primarily due to the repositioning of a modest portion of the Bank's investment portfolio. The gain or loss on investment securities varies based on the amount and type of investments sold and market conditions.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $9.6 million for the first quarter of 2017, compared to $9.0 million for the first quarter of 2016. The slight increase was due to higher average balances of investments in life insurance from continued purchases. The book value of this portfolio of tax-exempt investments was $1.3 billion at March 31, 2017, compared to $1.2 billion at March 31, 2016.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended March 31,	
($ in thousands)	2017	2016
Salaries and employee benefits	$ 221,907	$ 185,917
Information systems	45,770	35,037
Occupancy	33,366	27,648
Professional fees	11,165	13,371
FDIC assessments	13,150	9,600
Advertising and marketing	9,026	7,190
Amortization of intangibles	5,567	6,661
Other expenses	38,588	33,770
Total noninterest expense	$ 378,539	$ 319,194

Noninterest expense was $378.5 million for the first quarter of 2017, compared to $319.2 million for the first quarter of 2016, an increase of $59.3 million, or 19%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, investments in information systems and higher occupancy costs, partially offset by lower professional fees and amortization of intangibles. The increased expenses were primarily attributable to continued investments in the expansion of the franchise.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $25.4 million for the first quarter of 2017, compared to $19.7 million for the first quarter of 2016, an increase of $5.7 million, or 29%. 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 63.0% for the first quarter of 2017, compared to 61.4% for the first quarter of 2016. The increase in the efficiency ratio was primarily attributable to increased expenses related to continued investments in the expansion of the franchise, including higher salaries and employee benefits, investments in information systems and higher occupancy costs.

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and includes the cost of salaries, incentive compensation, benefit plans, health insurance and payroll taxes, which have collectively increased in each of the past several years as we hired additional personnel to support our growth and our enhanced regulatory infrastructure. Salaries and employee benefit expenses were $221.9 million for the first quarter of 2017, a 19% increase from $185.9 million for the first quarter of 2016. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities. At March 31, 2017, we had 3,715 full-time equivalent employees, including temporary employees and independent contractors, a 16% increase from 3,210 at March 31, 2016.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing internet-based activities and the costs associated with telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $45.8 million for the first quarter of 2017, a 31% increase from $35.0 million for the first quarter of 2016. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth, as well as to enhance our regulatory compliance infrastructure.

Occupancy. Occupancy costs were $33.4 million for the first quarter of 2017, a 21% increase from $27.6 million for the first quarter of 2016. The increase was primarily due to expanding our office space in existing markets for new employees and increased rental costs in certain locations. We expect the level of occupancy costs to vary with the number of offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to enhancing regulatory compliance activities. Such expenses were $11.2 million for the first quarter of 2017, compared to $13.4 million for the first quarter of 2016, a decrease of $2.2 million, or 16%. The decrease in professional fees was primarily due to transitioning from consultant spending to permanent staffing for certain regulatory compliance activities.

FDIC assessments. FDIC assessments were $13.2 million for the first quarter of 2017, a 37% increase from $9.6 million for the first quarter of 2016. The increase was primarily due to the new FDIC assessment surcharge which was effective in the third quarter of 2016 and a higher assessment base as a result of the growth in assets, partially offset by a decrease in our assessment rate.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers and radio, primarily to support growth in our Preferred Banking offices. Advertising and marketing expenses were $9.0 million for the first quarter of 2017 and $7.2 million for the first quarter of 2016, an increase of 26%. 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 first quarter of 2017 also includes expenses related to Gradifi.

Amortization of intangibles. Amortization expense for the first quarter of 2017 was $5.6 million, a 16% decrease from $6.7 million for the first quarter of 2016. Amortization expense decreased due to the accelerated method of recording intangible amortization.

Other expenses. Other expenses were $38.6 million for the first quarter of 2017, compared to $33.8 million for the first quarter of 2016, an increase of $4.8 million, or 14%. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, cash management, custody and clearing, and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and AUM and AUA, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

	Quarter Ended March 31,	
($ in thousands)	**2017**	**2016**
Deposit client related costs	$ 7,441	$ 5,809
Travel and entertainment	4,648	3,284
Loan related costs	4,489	3,336
Insurance expense	2,864	2,370
Subscriptions	2,597	2,646
Recruiting fees	2,314	1,659
Other operating expenses	14,235	14,666
Total other expenses	$ 38,588	$ 33,770

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 first quarter of 2017 was 17.2%, compared to 19.6% for the first quarter of 2016. The effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance

and the amount of excess tax benefits. The decrease in the effective tax rate in the first quarter of 2017 resulted from increased tax benefits from exercise and vesting of share-based awards, and from the continued increase in tax-advantaged investments.

Business Segments

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

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

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

Commercial Banking

Net interest income for Commercial Banking was $484.2 million for the quarter ended March 31, 2017, an increase of 17% from $412.4 million for the quarter ended March 31, 2016. The increase in net interest income was primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $9.1 million for the quarter ended March 31, 2017, compared to $4.5 million for the quarter ended March 31, 2016. 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 $23.2 million for the quarter ended March 31, 2017, compared to $26.1 million for the quarter ended March 31, 2016, a decrease of 11%. The decrease was primarily due to net loss on investment securities and reduced net loan servicing fees.

Noninterest expense for Commercial Banking was $304.4 million for the quarter ended March 31, 2017, compared to $254.8 million for the quarter ended March 31, 2016, an increase of 19%. The increase was primarily due to higher salaries and employee benefits, investments in information systems and higher occupancy costs. The increases in these expenses were primarily attributable to continued investments in the expansion of the franchise.

Wealth Management

Net interest income for Wealth Management was $15.5 million for the quarter ended March 31, 2017, compared to $11.9 million for the quarter ended March 31, 2016, an increase of 30%. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees earned for Wealth Management sweep deposits. Net interest income increased primarily as a result of growth in Wealth Management client deposits.

Wealth Management client deposits totaled $7.4 billion and $5.6 billion at March 31, 2017 and 2016, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $7.0 billion and $5.2 billion for the quarters ended March 31, 2017 and 2016, respectively. As noted above, Wealth Management is allocated a deposit earnings credit and fees as net interest income, which is included in the Wealth Management results. Annualized net interest income as a percentage of the average deposits generated by Wealth Management represented 0.90% for the quarter ended March 31, 2017, compared to 0.92% for the quarter ended March 31, 2016.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's holistic approach to generating a full relationship with our clients is demonstrated by the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated net interest margin was 3.13% and 3.20% for the quarters ended March 31, 2017 and 2016, respectively. Using this overall net interest margin and the average Wealth Management deposits for each respective period, the Wealth Management deposits, on a consolidated basis, contributed net interest income of approximately $54.0 million for the quarter ended March 31, 2017 and $41.4 million for the quarter ended March 31, 2016.

Noninterest income for Wealth Management was $86.0 million for the quarter ended March 31, 2017, compared to $74.7 million for the quarter ended March 31, 2016, an increase of 15%. The increase was primarily due to higher investment management fees. Fees and other revenues increased as a result of an increase in AUM and AUA due to growth in services offered to Bank clients, the addition of new clients, the hiring of new personnel, who also brought in additional clients, and market appreciation.

Noninterest expense for Wealth Management was $81.8 million for the quarter ended March 31, 2017, compared to $69.9 million for the quarter ended March 31, 2016, an increase of 17%. The increase was primarily due to higher incentive compensation levels due to growth in our business. We continue to expand our client base capabilities in all markets to grow this segment.

AUM and AUA in the Wealth Management segment, in aggregate, were $90.1 billion at March 31, 2017, compared to $73.4 billion a year ago, an increase of 23%. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, including the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
First Republic Investment Management	$ 44,573	$ 41,154	$ 40,103	$ 38,288	$ 36,872
Brokerage and investment:					
Brokerage	35,397	32,218	31,058	28,644	27,296
Money market mutual funds	1,795	2,048	1,902	1,610	1,906
Total brokerage and investment	37,192	34,266	32,960	30,254	29,202
Trust Company:					
Trust	3,929	3,754	3,171	3,434	3,343
Custody	4,438	4,406	3,954	3,835	4,004
Total Trust Company	8,367	8,160	7,125	7,269	7,347
Total AUM and AUA	$ 90,132	$ 83,580	$ 80,188	$ 75,811	$ 73,421

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 March 31,	
($ in millions)	2017	2016
AUM and AUA:		
Beginning balance	$ 83,580	$ 72,293
Net client flow	2,808	832
Market appreciation	3,744	296
Ending balance	$ 90,132	$ 73,421

Investment Management Services. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity and fixed income, balanced and alternative investments for our clients. In addition, we employ experienced investment advisors to work with our relationship managers to generate new AUM using an open architecture platform. Total investment management fees earned were $60.9 million for the quarter ended March 31, 2017, compared to $52.8 million for the quarter ended March 31, 2016, an increase of 15%. The increase in investment management fees was due to an increase in AUM 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 portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. FRIM's AUM were $44.6 billion at March 31, 2017, compared to $36.9 billion at March 31, 2016, an increase of 21%.

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

	% of AUM				
Investment Type	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Equities	47%	45%	44%	44%	44%
Fixed income	32%	33%	33%	33%	31%
Alternative investments	15%	15%	16%	16%	16%
Cash and cash equivalents	6%	7%	7%	7%	9%
Total	100%	100%	100%	100%	100%

Brokerage and Investment Activities. We perform brokerage and investment activities for clients through FRSC. We employ portfolio managers to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors, and to offer sales of insurance and annuity products to clients. These portfolio managers can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $8.0 million for the quarter ended March 31, 2017, compared to $7.9 million for the quarter ended March 31, 2016. Such fees vary based on the level and mix of AUA, conditions in the equity markets, level of sales of insurance and annuity products, and our ability to attract new clients. At March 31, 2017, we held $37.2 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $29.2 billion at March 31, 2016, an increase of 27%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware and Florida. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Total trust fees earned were $3.2 million for the quarter ended March 31, 2017, compared to $3.0 million for the quarter ended March 31, 2016, an increase of 7%. The increase was primarily due to increased assets under custody or administration from the addition of assets from existing and new clients and market appreciation. At March 31, 2017, assets under custody or administration were $8.4 billion, compared to $7.3 billion at March 31, 2016, an increase of 14%. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

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

	Quarter Ended March 31,	
	2017	2016
First Republic Investment Management	0.57%	0.59%
Brokerage and investment:		
Brokerage	0.07%	0.10%
Money market mutual funds	0.47%	0.16%
Total brokerage and investment	0.09%	0.11%
Trust Company:		
Trust	0.22%	0.24%
Custody	0.10%	0.11%
Total Trust Company	0.16%	0.17%
Total	0.33%	0.35%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	March 31, 2017	December 31, 2016
Available-for-sale:		
U.S. Treasury securities	$ 110,761	$ 111,029
Agency residential MBS	43,934	48,229
Other residential MBS	6,898	7,662
Agency commercial MBS	1,826,441	1,790,897
Securities of U.S. states and political subdivisions—taxable	47,450	47,493
Marketable equity securities	2,173	1,948
Total	$ 2,037,657	$ 2,007,258
Held-to-maturity:		
U.S. Government-sponsored agency securities	$ 1,085,168	$ 993,179
Agency residential MBS	2,778,245	2,689,035
Other residential MBS	1,817	1,875
Agency commercial MBS	2,517,444	2,385,928
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	7,349,247	6,876,777
Tax-exempt nonprofit debentures	149,256	150,322
Taxable municipal securities	53,027	53,041
Total	$ 13,934,204	$ 13,150,157

The total combined investment securities portfolio represented 21% of total assets at March 31, 2017 and December 31, 2016. During the quarter ended March 31, 2017, we continued to purchase securities considered HQLA, including agency commercial MBS, agency residential MBS and U.S. Government-sponsored agency securities, which further enhanced our on-balance sheet liquidity. In addition, we continued purchasing tax-exempt municipal securities.

The average duration of the $2.0 billion available-for-sale portfolio was 1.7 years at March 31, 2017, compared to 1.8 years at December 31, 2016. The average duration of the $13.9 billion held-to-maturity portfolio was 8.6 years at March 31, 2017, compared to 8.8 years at December 31, 2016.

At March 31, 2017, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio was well-diversified with an average issuer position of approximately $14.0 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)	March 31, 2017	December 31, 2016
Single family (1-4 units)	$ 27,419	$ 26,267
Home equity lines of credit	2,641	2,635
Multifamily (5+ units)	6,953	6,676
Commercial real estate	5,652	5,465
Single family construction	502	495
Multifamily/commercial construction	945	919
Total real estate mortgages	44,112	42,457
Business	6,897	6,872
Stock secured	908	823
Other secured	758	724
Unsecured	1,257	1,132
Total other loans	9,820	9,551
Total loans	53,932	52,008
Less:		
Allowance for loan losses	(315)	(306)
Loans, net	53,617	51,702
Single family loans held for sale	178	407
Total	$ 53,795	$ 52,109

The following table presents an analysis of the recorded investment in our loan portfolio at March 31, 2017, including single family loans held for sale, by category and major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Single family (1-4 units)	$ 11,332	$ 6,398	$ 4,325	$ 2,593	$ 777	$ 286	$ 1,886	$ 27,597	51%
Home equity lines of credit	1,065	514	460	313	82	19	188	2,641	5%
Multifamily (5+ units)	3,545	1,375	778	188	481	153	433	6,953	13%
Commercial real estate	2,496	1,198	867	203	144	157	587	5,652	10%
Business	2,964	1,407	1,156	534	288	19	529	6,897	13%
Construction	393	241	481	41	58	17	216	1,447	3%
Stock and other secured	439	392	192	182	11	3	447	1,666	3%
Unsecured	340	332	288	137	52	12	96	1,257	2%
Total	$ 22,574	$ 11,857	$ 8,547	$ 4,191	$ 1,893	$ 666	$ 4,382	$ 54,110	100%
% by location at March 31, 2017	42%	22%	16%	8%	3%	1%	8%	100%	
% by location at December 31, 2016	42%	21%	16%	8%	4%	1%	8%	100%	

At both March 31, 2017 and December 31, 2016, approximately 52% of total loans (based on recorded investment) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans.

The Bank's loan portfolio includes: (1) adjustable-rate loans tied to Prime, London Interbank Offered Rate ("LIBOR"), the Eleventh District Cost of Funds Index ("COFI"), and other rates such as 1-year Constant Maturity Treasury ("CMT"), which are currently adjustable; (2) hybrid-rate loans, for which the initial rate is fixed for a period from one year to as much as ten years; and (3) fixed-rate loans, for which the interest rate does not change through the life of the loan. The following table presents the recorded investment in our loan portfolio at March 31, 2017, including single family loans held for sale, by rate type:

	Adjustable Rate					Hybrid	Fixed	
($ in millions)	Prime	LIBOR	COFI	Other	Total	Rate	Rate	Total
Single family (1-4 units)	$ 247	$ 2,957	$ 2,758	$ 110	$ 6,072	$ 19,231	$ 2,294	$ 27,597
Home equity lines of credit	2,625	7	—	—	2,632	—	9	2,641
Multifamily (5+ units)	201	345	1,727	8	2,281	3,006	1,666	6,953
Commercial real estate	227	351	487	1	1,066	2,168	2,418	5,652
Business	2,192	1,150	12	—	3,354	144	3,399	6,897
Construction	530	100	—	—	630	—	817	1,447
Stock and other secured	404	1,159	—	1	1,564	4	98	1,666
Unsecured	169	58	—	—	227	—	1,030	1,257
Total	$ 6,595	$ 6,127	$ 4,984	$ 120	$17,826	$ 24,553	$11,731	$ 54,110
% by rate type	12%	12%	9%	0%	33%	45%	22%	100%

At March 31, 2017, included in the hybrid-rate and fixed-rate loan portfolios are $2.1 billion of loans that either (1) mature within one year; (2) are within one year of adjusting from the initial fixed-rate period; or (3) are committed for sale.

Single Family

Our single family loans include loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At March 31, 2017, approximately $19.3 billion, or 70%, of the unpaid principal balance of our single family loan portfolio, including loans held for sale, fully and evenly amortize until maturity following an initial interest-only period of generally ten years. Such loans were $18.8 billion, or 71%, of our single family loan portfolio, at December 31, 2016. At March 31, 2017, loans of this type had a weighted average loan-to-value ("LTV") of approximately 59%, based on appraised value at the time of origination, and had credit scores averaging 760 at origination. At March 31, 2017, interest-only home loans with an LTV at origination of more than 80% comprised less than 1% of the unpaid principal balance of our single family loan portfolio, including loans held for sale.

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

	March 31, 2017	
($ in thousands)	Unpaid principal balance	% of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 13,933,939	50.6%
Greater than 60% to 70%	9,193,669	33.4%
Greater than 70% to 80%	4,364,272	15.8%
Greater than 80%	64,044	0.2%
Total	$ 27,555,924	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 763, 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 March 31, 2017, approximately 37% of HELOCs are in first lien position, and approximately 48% of HELOCs are in second lien position behind a first residential mortgage originated by us, including loans subsequently sold to investors. The following table presents CLTV information at origination for HELOCs, including both the unpaid principal balance and total commitment:

	March 31, 2017		
($ in thousands)	**Unpaid principal balance**	**Total commitment**	**% of unpaid principal balance of portfolio**
CLTV at Origination			
Less than or equal to 60%	$ 1,558,767	$ 4,418,005	59.3%
Greater than 60% to 70%	772,773	1,833,396	29.4%
Greater than 70% to 80%	289,421	662,808	11.0%
Greater than 80%	6,718	14,365	0.3%
Total	$ 2,627,679	$ 6,928,574	100.0%

Multifamily

At March 31, 2017 and December 31, 2016, the unpaid principal balance of multifamily loans was $7.0 billion and $6.7 billion, respectively. At March 31, 2017 and December 31, 2016, included in this portfolio were $2.9 billion and $2.7 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At March 31, 2017, for multifamily loans that allow for interest-only payments, the weighted average LTV was 51% based on the appraised value at the time of origination. Additionally, at March 31, 2017 and December 31, 2016, we had committed to lend $309.6 million and $279.0 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance related to these commitments at March 31, 2017 and December 31, 2016 was $102.3 million and $98.2 million, respectively, representing 1.5% of the portfolio at both March 31, 2017 and December 31, 2016, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate

At March 31, 2017 and December 31, 2016, the unpaid principal balance of commercial real estate loans was $5.7 billion and $5.5 billion, respectively. At March 31, 2017 and December 31, 2016, included in this portfolio were $1.6 billion and $1.5 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At March 31, 2017, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 45% based on the appraised value at the time of origination. Additionally, at March 31, 2017 and December 31, 2016, we had committed to lend $311.6 million and $272.1 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance related to these commitments at March 31, 2017 and December 31, 2016 was $116.3 million and $102.3 million, respectively, representing 2.1% of the portfolio at

March 31, 2017, compared to 1.9% at December 31, 2016; these lines of credit also allow for interest-only payments for an initial period.

Business

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

	March 31, 2017		December 31, 2016	
($ in thousands)	Recorded Investment	Total commitment	Recorded Investment	Total commitment
Private Equity/Venture Capital Funds	$ 2,183,133	$ 7,130,439	$ 2,097,176	$ 6,903,350
Schools/Non-profit Organizations	2,660,980	3,372,041	2,617,688	3,271,435
Investment Firms	333,911	972,584	441,335	1,010,082
Entertainment Industry	305,261	649,580	340,236	692,474
Real Estate Related Entities	324,847	736,121	343,658	693,183
Professional Service Firms	203,704	407,683	199,647	404,438
Aviation/Marine	265,832	270,268	268,484	275,920
Clubs and Membership Organizations	159,994	204,869	160,117	202,832
Vineyards/Wine	159,332	205,654	148,925	198,491
Other	300,288	561,326	255,061	488,611
Total	$ 6,897,282	$ 14,510,565	$ 6,872,327	$ 14,140,816

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 March 31, 2017, approximately 37% of our total loans, including loans held for sale, were currently adjustable and reprice with indices or mature within one year. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through March 31, 2017, we have originated approximately $176 billion of loans, of which approximately $31 billion have been sold to investors.

Total loan originations were $5.6 billion for the first quarter of 2017, compared to $4.8 billion for the first quarter of 2016, an increase of 17% due to an increase in originations of single family and business loans. The volume and type of loan originations depends on the level of interest rates, the demand for home loans in our markets and other economic conditions.

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Single family (1-4 units)	$ 2,516,674	$ 1,812,817
Home equity lines of credit	414,323	425,732
Multifamily (5+ units)	408,946	630,016
Commercial real estate	395,569	241,045
Construction	238,801	199,366
Business	952,428	657,206
Stock and other secured	483,522	497,971
Unsecured	230,874	337,494
Total loans originated	$ 5,641,137	$ 4,801,647

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	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Single family (1-4 units)	56%	55%	56%	56%	56%
Home equity lines of credit [1]	52%	51%	51%	54%	52%
Multifamily (5+ units)	50%	50%	51%	49%	47%
Commercial real estate	50%	47%	48%	50%	46%
Construction	54%	54%	51%	57%	52%

[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	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Single family (1-4 units)	765	765	763	755	763
Home equity lines of credit	765	770	765	758	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	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Purchase loans	40%	37%	42%	44%	46%
Refinance loans	60%	63%	58%	56%	54%
Total	100%	100%	100%	100%	100%

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

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

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

[1] Including loans held for sale.

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

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

Asset Quality

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

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

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

($ in thousands)	March 31, 2017	December 31, 2016
Nonaccrual loans:		
Single family (1-4 units)	$ 27,150	$ 24,560
Home equity lines of credit	11,055	10,464
Multifamily (5+ units)	3,257	4,516
Commercial real estate	301	306
Business	8,514	8,728
Unsecured	1,417	446
Total nonaccrual loans	51,694	49,020
Other real estate owned	—	—
Total nonperforming assets	$ 51,694	$ 49,020
Nonperforming assets to total assets	0.07%	0.07%
Restructured accruing loans	$ 14,224	$ 14,278
Accruing loans 90 days or more past due	$ —	$ —

See Note 3 in "Item 8. Financial Statements and Supplementary Data" for information related to interest income on nonaccrual loans for the quarters ended March 31, 2017 and 2016.

Of the loans on nonaccrual status, at March 31, 2017, approximately $27.0 million were current, compared to $29.0 million at December 31, 2016.

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

Allowance for Loan Losses

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

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

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

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

($ in thousands)	At or for the Quarter Ended March 31, 2017	2016
Allowance for loan losses:		
Balance at beginning of period	$ 306,398	$ 261,058
Provision	9,088	4,492
Charge-offs:		
Single family (1-4 units)	(532)	—
Home equity lines of credit	—	—
Multifamily (5+ units)	—	—
Commercial real estate	—	—
Single family construction	—	—
Multifamily/commercial construction	—	—
Business	(7)	—
Stock secured	—	—
Other secured	—	—
Unsecured	—	(11)
Total charge-offs	(539)	(11)
Recoveries:		
Single family (1-4 units)	1	3
Home equity lines of credit	26	26
Multifamily (5+ units)	—	—
Commercial real estate	—	—
Single family construction	—	—
Multifamily/commercial construction	—	—
Business	4	8
Stock secured	—	—
Other secured	—	—
Unsecured	—	3
Total recoveries	31	40
Net loan (charge-offs) recoveries	(508)	29
Balance at end of period	$ 314,978	$ 265,579
Average total loans for the period	$ 52,788,556	$ 44,359,733
Total loans at period end	$ 53,932,200	$ 45,396,119
Total nonaccrual loans	$ 51,694	$ 59,203
Ratios:		
Net charge-offs (recoveries) to:		
Average total loans (annualized)	0.00%	0.00%
Allowance for loan losses to:		
Total loans	0.58%	0.59%
Nonaccrual loans	609.3%	448.6%

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:

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016
Single family loans originated	$ 2,516,674	$ 1,812,817
Loans sold:		
Flow sales:		
Agency	$ 49,732	$ 60,228
Non-agency	56,202	51,575
Total flow sales	105,934	111,803
Bulk sales:		
Non-agency	539,821	365,899
Total loans sold	$ 645,755	$ 477,702
Gain on sale of loans:		
Amount	$ 3,364	$ 1,403
Gain as a percentage of loans sold	0.52%	0.29%

The higher level of gain on sale of loans for the first quarter of 2017 was primarily the result of higher margins and higher 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:

($ in thousands)	At or for the Quarter Ended March 31, 2017	At or for the Quarter Ended March 31, 2016
Loans serviced for others	$ 11,838,059	$ 10,653,859
Loan servicing fees, net	$ 2,771	$ 3,749

Mortgage loans serviced for investors increased to $11.8 billion at March 31, 2017, from $10.7 billion at March 31, 2016, due to loan sales exceeding repayments in the servicing portfolio over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At March 31, 2017, MSRs were $62.0 million (52 basis points of loans serviced), compared to $54.2 million (51 basis points of loans serviced) at March 31, 2016.

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience on single family loans sold in the secondary market. Since our inception in 1985, we have

experienced cumulative net loan losses of only $9.0 million on single family loans sold. At March 31, 2017, single family loans serviced for investors that are 90 days or more past due were $3.9 million, or 3 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 March 31, 2017, our total deposits were $61.2 billion, a 4% increase from $58.6 billion at December 31, 2016, as we continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer.

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than $250,000 and all brokered deposits), provide a stable source of low cost funding. Core deposits totaled $58.8 billion and $55.9 billion at March 31, 2017 and December 31, 2016, respectively, and represented 96% and 95% of total deposits at March 31, 2017 and December 31, 2016, respectively.

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

($ in thousands)	March 31, 2017	December 31, 2016
Preferred Banking Offices		
Northern California	$ 11,543,905	$ 10,943,394
Metropolitan New York	4,243,111	4,380,991
Southern California	2,602,448	2,474,720
Boston	1,118,750	1,110,158
Subtotal	19,508,214	18,909,263
Preferred Banking		
Northern California	16,383,719	14,102,877
Metropolitan New York	8,518,846	8,982,844
Southern California	5,038,012	5,046,821
Boston	5,678,366	5,688,979
Subtotal	35,618,943	33,821,521
Wealth management sweep	5,287,763	4,965,145
Other	792,328	906,452
Total deposits	$ 61,207,248	$ 58,602,381

Overall, deposits in our Preferred Banking Offices grew 3% since December 31, 2016, with growth across all deposit products, including personal and business checking, savings and CD accounts. This increase is due to growth of existing client relationships, client referrals, our general marketing initiatives, growth in services offered to Bank clients and the service skills of individual employees.

Preferred Banking deposits grew 5% since December 31, 2016, mostly in money market checking and money market savings. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits grew 6% since December 31, 2016. Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank, with the increases since December 31, 2016 resulting from the continued expansion of our wealth management business. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

The following table presents consumer and business deposits:

($ in thousands)	March 31, 2017	December 31, 2016
Consumer deposits:		
Checking	$ 13,325,139	$ 13,210,132
Money market checking	4,208,544	3,964,624
Money market savings and passbooks	5,829,299	5,714,016
CDs	5,143,726	4,696,756
	28,506,708	27,585,528
Business deposits:		
Checking	25,028,931	24,106,060
Money market checking	4,561,355	4,005,163
Money market savings	2,697,827	2,489,325
CDs	412,427	416,305
	32,700,540	31,016,853
Total	$ 61,207,248	$ 58,602,381

We fund a portion of our assets with CDs that have balances greater than $250,000 and that have maturities generally in excess of six months. At March 31, 2017 and December 31, 2016, our CDs having balances greater than $250,000 totaled $2.5 billion and $2.2 billion, respectively. The following table presents the maturities of our CDs greater than $250,000 in size:

($ in thousands)	March 31, 2017 Greater than $250,000
Remaining maturity:	
Three months or less	$ 660,646
Over three through six months	359,377
Over six through twelve months	581,290
Over twelve months	851,885
Total	$ 2,453,198
Percent of total deposits	4%

At March 31, 2017 and December 31, 2016, the weighted average contractual rate paid on CDs was 1.22% and 1.20%, respectively, and the weighted average remaining maturity of CDs was 14.1 months and 15.2 months at the same respective period ends. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	March 31, 2017	
($ in thousands)	Amount	Weighted Average Contractual Rate
Certificates of deposit maturing in:		
April 1 - December 31, 2017	$ 2,437,127	0.83%
2018	1,946,043	1.21%
2019	576,822	1.98%
2020	381,161	2.22%
2021	158,376	1.96%
2022 and thereafter	56,624	2.08%
Total	$ 5,556,153	1.22%

Other Funding

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

Securities Sold under Agreements to Repurchase

As of March 31, 2017, securities sold under agreements to repurchase ("repurchase agreement") were $100.0 million. The repurchase agreement matures in the second quarter of 2017 and is collateralized by tax-exempt municipal securities. The repurchase agreement has a floating rate, which resets quarterly, and was 2.00% at March 31, 2017.

FHLB Advances

As of March 31, 2017, we had no outstanding short-term FHLB advances.

Our long-term, laddered maturity, fixed-rate FHLB advances as of March 31, 2017 were $5.9 billion. The weighted average remaining maturity of long-term FHLB advances was 1.5 years at March 31, 2017.

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

	March 31, 2017	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
FHLB advances maturing in:		
April 1 - December 31, 2017	$ 950,000	1.56%
2018	2,725,000	1.45%
2019	2,025,000	1.46%
2020	—	—%
2021	200,000	1.50%
Total	$ 5,900,000	1.47%

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 March 31, 2017:

	March 31, 2017		
($ in thousands)	**Carrying Value [(1)]**	**Rate**	**Maturity Date**
Senior notes:			
Fixed rate, issued June 2014	$ 398,157	2.375%	June 2019
Subordinated notes:			
Fixed rate, issued August 2016	$ 387,432	4.375%	August 2046
Fixed rate, issued February 2017	$ 389,371	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 March 31, 2017 was $18.8 billion and $6.3 billion, respectively. This available borrowing capacity is supported by already pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity. At March 31, 2017, our investment securities portfolio of $16.0 billion and cash and cash equivalents of $2.8 billion collectively comprised 24% of total assets. At March 31, 2017, we increased our holdings of assets that are considered HQLA, including eligible cash, to $10.0 billion, compared to $9.0 billion at December 31, 2016.

At March 31, 2017, we had $18.8 billion of available borrowing capacity at the FHLB supported by already pledged loans. In addition, we had $6.3 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged investment securities. Unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 33% 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 quarter ended March 31, 2017, our loan originations, net of repayments, were $2.2 billion and our investment purchases, net of sales, calls and paydowns, were $670.9 million. We also redeemed all of the outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock, which totaled $199.5 million. These activities were primarily funded by a net increase in deposits of $2.6 billion, and the sale of $645.8 million of loans. In addition, during the quarter ended March 31, 2017, we sold 2.5 million shares of common stock, which added $233.7 million to common equity. During the quarter ended March 31, 2017, we also completed an underwritten public offering of unsecured subordinated notes of $400 million, with net proceeds of $389.3 million.

At March 31, 2017, we had no 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. The Bank had loans held for sale of $178.2 million, which were committed to be delivered to investors in the second quarter of 2017.

At March 31, 2017, we had securities sold under agreements to repurchase of $100.0 million, which mature in the second quarter of 2017.

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

Capital Resources

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

($ in thousands)	March 31, 2017	December 31, 2016
Shareholders' equity	$ 7,088,745	$ 6,908,652
CET1 capital adjustments and deductions:		
Preferred stock	(940,000)	(1,139,525)
Goodwill and other intangible assets, net of deferred taxes	(276,111)	(259,119)
Deferred tax assets that arise from tax credit carryforwards	(16,000)	(7,087)
Accumulated other comprehensive income	(3,749)	(6,339)
CET1 capital	5,852,885	5,496,582
Preferred stock	940,000	1,139,525
Additional Tier 1 capital deductions	(4,000)	(4,724)
Additional Tier 1 capital	936,000	1,134,801
Tier 1 capital	6,788,885	6,631,383
Tier 2 capital instruments—subordinated notes [1]	776,803	387,380
Qualifying allowance for loan losses [2]	326,676	318,898
Other Tier 2 qualifying instruments	164	64
Tier 2 capital	1,103,643	706,342
Total risk-based capital	$ 7,892,528	$ 7,337,725

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

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

During the first quarter of 2017, we completed an underwritten public offering of 2.5 million shares of new common stock, which added $233.7 million to common equity.

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

In addition, during the first quarter of 2017, we redeemed all outstanding shares of our 6.70% Noncumulative Perpetual Series A Preferred Stock, which totaled $199.5 million, plus accrued and unpaid dividends to the date of redemption.

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

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

subsequent January 1, until it reaches 2.5% on January 1, 2019). Thus, when fully phased in on January 1, 2019, the Bank will be required to maintain this additional capital conservation buffer of 2.5% of CET1.

Our capital ratios exceeded all applicable regulatory requirements at March 31, 2017 for well-capitalized institutions, and our capital conservation buffer of 6.65% exceeded both the transitional buffer of 1.25% and the fully phased-in minimum requirements of 2.5%. The following table presents our capital ratios under the transitional and fully phased-in requirements and the regulatory requirements under the Basel III Capital Rules:

	Actual (Transitional)	Fully Phased-in [1]	Actual (Transitional)	Regulatory Requirements		
($ in thousands)	March 31, 2017		December 31, 2016	Well-Capitalized Ratio	Minimum Capital Ratio	Minimum Capital Conservation Buffer [2]
Capital Ratios						
Tier 1 leverage ratio (Tier 1 capital to average assets)	9.22%	9.19%	9.37%	5.00%	4.00%	—%
CET1 capital to risk-weighted assets	11.15%	11.06%	10.83%	6.50%	4.50%	1.25%
Tier 1 capital to risk-weighted assets	12.94%	12.84%	13.07%	8.00%	6.00%	1.25%
Total capital to risk-weighted assets	15.04%	14.93%	14.46%	10.00%	8.00%	1.25%
Regulatory Capital [3]						
CET1 capital	$ 5,852,885	$ 5,827,518	$ 5,496,582			
Tier 1 capital	$ 6,788,885	$ 6,767,518	$ 6,631,383			
Total capital	$ 7,892,528	$ 7,871,162	$ 7,337,725			
Assets [3]						
Average assets	$ 73,624,461	$ 73,603,094	$ 70,779,188			
Risk-weighted assets	$ 52,476,984	$ 52,708,344	$ 50,744,017			

[1] Certain adjustments required under the Basel III Capital Rules will be phased in through the end of 2018. The ratios and amounts shown in this column are calculated assuming a fully phased-in basis of all such adjustments as if they were effective as of March 31, 2017.

[2] Beginning on January 1, 2016, a capital conservation buffer is required to be held by banking institutions. The minimum required capital conservation buffer is 1.25% in 2017 and is being phased in through January 1, 2019 when it reaches 2.5%. As of March 31, 2017, our capital conservation buffer was 6.65%, which exceeded both the transitional buffer of 1.25% and the fully phased-in minimum requirements of 2.5%.

[3] As defined by regulatory capital rules.

Note Regarding Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP and the prevailing practices in the banking industry. Due to the application of purchase accounting from the Bank's re-establishment as an independent institution in July 2010, our management historically used certain non-GAAP (i.e., core) measures and ratios that excluded the impact of certain net purchase accounting items to evaluate our performance. However, due to the diminished impact of these positive purchase accounting items, beginning in the first quarter of 2017, we no longer present any non-GAAP financial measures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management

We seek to measure and manage the potential impact of changes in interest rates on our net interest income and net interest margin, known as interest rate risk. Interest rate risk primarily occurs when interest-earning assets and interest-bearing liabilities mature or reprice at different times, on a different basis or in unequal amounts. The 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 Board of Directors. Compliance with these policies and limits is reported to the 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 $645.8 million of loans during the quarter ended March 31, 2017.

At March 31, 2017, we did not have any interest rate exchange agreements for hedging purposes. We have on occasion entered into various types of interest rate exchange agreements to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income and net interest margin. The last such agreement we entered into was in 2011.

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

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

Balance Sheet Overview

Our net interest income and net interest margin may be affected by the mix of earning assets and interest-bearing liabilities. The Bank has earning assets with reset periods or maturity of less than one year totaling $23.8 billion, or 33% of total earning assets at March 31, 2017. Of these earning assets, the Bank has loans, including loans held for sale, that are currently adjustable and reprice with indices or mature within one year totaling $20.0 billion, or 37% of the total loan portfolio at March 31, 2017. The loan portfolio where such loans reprice at least quarterly to market rate indices, such as Prime or LIBOR, totaled $12.7 billion, or 23% of the loan portfolio at March 31, 2017. The loan portfolio with lagging indices, such as COFI and the CMT totaled $5.2 billion, or 10% of the total loan portfolio at March 31, 2017. Additionally, the loan portfolio that either (1) matures within one year; (2) is within one year of adjusting from the initial fixed-rate period; or (3) is committed for sale totaled $2.1 billion,

or 4% of the total loan portfolio at March 31, 2017. In addition, $3.8 billion, or 21% of our investments (predominantly, U.S. agency MBS investment securities) and cash reprice quarterly, or on a more frequent basis, to market rate indices at March 31, 2017.

Total checking deposits were $38.4 billion, or 63% of total deposits at March 31, 2017. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which currently pay a nominal rate of 1 basis point. We do not expect the rate paid on interest-bearing checking deposits to fluctuate much with changes in overall interest rates, consistent with our history. The rates paid on money market savings, money market checking and passbook deposit accounts generally move directionally with changes in short-term prevailing interest rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together totaled $17.3 billion, or 28% of total deposits at March 31, 2017. CDs were $5.6 billion, or 9% of total deposits and had a weighted average remaining maturity of 14.1 months at March 31, 2017.

We utilize long-term FHLB advances as a source of fixed-rate, term funding to help manage our overall interest rate risk. Such advances totaled $5.9 billion at March 31, 2017 with a weighted average maturity of 1.5 years. In addition, the Bank has also issued unsecured, term, fixed-rate senior notes in June 2014 and unsecured, term, fixed-rate subordinated notes in both August 2016 and February 2017. At March 31, 2017, the senior notes had a carrying value of $398.2 million and mature in June 2019. Also, at March 31, 2017, the subordinated notes had a carrying value of $776.8 million and mature in August 2046 and February 2047.

Net Interest Income Simulation

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

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

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning March 31, 2017, are presented in the following table. The projections assume both (a) instantaneous parallel shifts upward of 100 and 200 basis points and instantaneous parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) gradual parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In downward shifts of the yield curve, interest rates are not modeled to decline lower than 0%.

Change in Market Interest Rates	Estimated Increase (Decrease) in Net Interest Income	
	Twelve Months Ending March 31, 2018	Twelve Months Ending March 31, 2019
Shock:		
+200 basis points immediately	10.7 %	14.5 %
+100 basis points immediately	5.8 %	8.2 %
-100 basis points immediately	(9.7)%	(15.5)%
-200 basis points immediately	(14.6)%	(24.9)%
Ramp:		
+200 basis points over next 12 months	4.0 %	10.9 %
+100 basis points over next 12 months	2.4 %	6.3 %
-100 basis points over next 12 months	(3.6)%	(13.5)%
-200 basis points over next 12 months	(7.4)%	(22.4)%

As of March 31, 2017, the Bank is slightly asset sensitive, indicating that it would generally benefit from increases in interest rates given the positive variances in net interest income observed when we compare two-year earnings simulation results in rising rate scenarios to a scenario in which rates remain unchanged. In a hypothetical rising rate environment, we benefit from adjustable-rate loans, which would begin to reprice upward with prevailing rates, adjustable-rate securities, certain fixed funding sources and modeled trends in deposit balances and mix. In addition, in the second year, the greater asset sensitivity is driven by growth in the loan portfolio and new investment purchases both made at new market interest rates. With respect to checking, we project checking balances to migrate from their current level of 63% of total deposits to approximately 61% of total deposits over the two-year horizon depicting a shifting preference of some account holders for higher yielding deposits in a rising rate environment. The rate paid on checking balances, both non-interest bearing and interest bearing, remains very modest in the rising rate environment, consistent with historical experience and expectations. Money market checking, money market savings and passbook accounts are assumed to reprice at approximately 70% of the change in short-term interest rates over the two-year period, also consistent with our historical experience.

As part of our interest rate risk management process, we perform additional simulations and scenarios. For example, if the mix of checking deposits to total deposits were to change gradually from 63% at March 31, 2017, to 50% of total deposits over a two-year period, our impact to net interest income in a +200 basis points ramp would be an increase of 8.0% in the second year, compared to 10.9% 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. Actual results could also differ from those projected if we experience repayment speeds in our loan portfolio substantially different than those assumed in the simulation model.

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

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Our management, including our chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of March 31, 2017, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There are risks, many beyond our control, which could cause our results to differ significantly from management's expectations. For a description of these risks, please see the risk factors previously described in Part I, "Item 1A. Risk Factors" in our 2016 Form 10-K. Any of the risks described in our 2016 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

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

Recent Sales of Unregistered Securities

During the first quarter of 2017, we sold 28,884 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $2.4 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 first quarter of 2017, we granted 1,700 restricted stock units, net of forfeitures, which vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees, and had an aggregate grant date fair value of $160,000. 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 February 6, 2017, we sold $400 million in aggregate principal amount of 4.625% Subordinated Notes due 2047 as part of an underwritten public offering. The aggregate public offering price was approximately $393.7 million, and the aggregate underwriting discount was $3.5 million. Net proceeds, after underwriting discounts, were approximately $390.2 million, which we used for general corporate purposes, which included, among other things, funding loans and purchasing investment securities for our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC. This transaction was exempt from registration under the Securities Act pursuant to Section 3(a)(2) thereof because the transaction involved securities issued by a bank.

On March 6, 2017, we sold 2,500,000 shares of common stock as part of an underwritten public offering. The aggregate public offering price was approximately $237.5 million, and the aggregate underwriting discount was $3.6 million. Net proceeds, after underwriting discounts, were approximately $233.9 million ($93.56 per share), which we used for general corporate purposes, which included, among other things, funding loans and purchasing investment securities in our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and UBS Securities LLC. This transaction was also exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

FIRST REPUBLIC BANK

May 9, 2017

/s/ Michael J. Roffler

Michael J. Roffler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

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

EXHIBIT 12

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

($ in thousands)	Quarter Ended March 31, 2017	Quarter Ended March 31, 2016	Year Ended December 31, 2016	2015	2014	2013	2012
Earnings before adjustment for fixed charges:							
Income before income taxes and noncontrolling interest in subsidiaries	$ 213,517	$ 195,879	$ 827,596	$ 690,668	$ 669,883	$ 663,559	$ 601,347
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	(2,676)
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	(13,200)
Earnings before adjustment for fixed charges	$ 213,517	$ 195,879	$ 827,596	$ 690,668	$ 669,883	$ 663,559	$ 585,471
Fixed charges and preferred stock dividend requirements:							
I. Excluding interest on deposits:							
Interest on borrowings	$ 30,759	$ 18,730	$ 89,946	$ 86,357	$ 91,795	$ 71,026	$ 57,205
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	2,676
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	13,200
Estimated interest component of net rental expense	7,134	5,750	25,358	21,400	18,733	17,658	16,777
Total fixed charges, excluding interest on deposits	37,893	24,480	115,304	107,757	110,528	88,684	89,858
Preferred stock dividend requirements	26,215	28,626	118,666	102,483	96,619	70,732	32,597
Fixed charges and preferred stock dividend requirements	$ 64,108	$ 53,106	$ 233,970	$ 210,240	$ 207,147	$ 159,416	$ 122,455
Earnings, including fixed charges	$ 251,410	$ 220,359	$ 942,900	$ 798,425	$ 780,411	$ 752,243	$ 675,329
Ratio of earnings to fixed charges	6.63x	9.00x	8.18x	7.41x	7.06x	8.48x	7.52x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.92x	4.15x	4.03x	3.80x	3.77x	4.72x	5.51x
II. Including interest on deposits:							
Interest on borrowings	$ 30,759	$ 18,730	$ 89,946	$ 86,357	$ 91,795	$ 71,026	$ 57,205
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	2,676
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	13,200
Estimated interest component of net rental expense	7,134	5,750	25,358	21,400	18,733	17,658	16,777
Interest on deposits	22,051	16,508	73,765	61,072	60,454	60,817	56,981
Total fixed charges, including interest on deposits	59,944	40,988	189,069	168,829	170,982	149,501	146,839
Preferred stock dividend requirements	26,215	28,626	118,666	102,483	96,619	70,732	32,597
Fixed charges and preferred stock dividend requirements	$ 86,159	$ 69,614	$ 307,735	$ 271,312	$ 267,601	$ 220,233	$ 179,436
Earnings, including fixed charges	$ 273,461	$ 236,867	$ 1,016,665	$ 859,497	$ 840,865	$ 813,060	$ 732,310
Ratio of earnings to fixed charges	4.56x	5.78x	5.38x	5.09x	4.92x	5.44x	4.99x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.17x	3.40x	3.30x	3.17x	3.14x	3.69x	4.08x

EXHIBIT 31.1

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2017

/s/ James H. Herbert, II

Name: James H. Herbert, II

Title: Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael J. Roffler, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2017

/s/ Michael J. Roffler

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

EXHIBIT 32.1

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

The undersigned, the Chairman and Chief Executive Officer of First Republic Bank (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2017

/s/ James H. Herbert, II

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

EXHIBIT 32.2

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

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2017

/s/ Michael J. Roffler

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