

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 8-K

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

Date of Report (Date of earliest event reported): October 16, 2014

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

80-0513856
(I.R.S. Employer
Identification No.)

111 Pine Street, 2nd Floor
San Francisco, CA 94111
(Address, including zip code, of principal executive office)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

Attached as Exhibit 99.1 and incorporated into this item by reference is a press release issued by First Republic Bank (the “Bank”) on October 16, 2014, regarding its financial results for the quarter ended September 30, 2014. The information furnished by the Bank pursuant to this item shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Press Release issued by the Bank, dated October 16, 2014, with respect to the Bank’s financial results for the quarter ended September 30, 2014.

SIGNATURES

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

Date: October 16, 2014.

First Republic Bank

By: /s/ Michael J. Roffler
Name: Michael J. Roffler
Title: Senior Vice President and Deputy
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 99.1	Press Release issued by the Bank, dated October 16, 2014, with respect to the Bank's financial results for the quarter ended September 30, 2014.



FIRST REPUBLIC REPORTS STRONG QUARTERLY EARNINGS

Strong Loan Volume of \$4.7 billion; Record Loan Sales of \$1.8 billion

San Francisco, California, October 16, 2014 – First Republic Bank (NYSE: FRC) today announced financial results for the quarter ended September 30, 2014.

“We are very pleased with the third quarter,” said Chairman and CEO Jim Herbert. “Core EPS, even after excluding a one-time gain on the sales of investment securities, were our second highest ever. Loan volume during the quarter was quite strong and asset quality remained excellent.”

Quarterly Highlights

Financial Results

- Net income was \$136.0 million.
- Diluted earnings per share (“EPS”) were \$0.86.
- Gain on sale of investments from portfolio repositioning of \$23.6 million (\$0.10 per share after-tax impact on both GAAP and core EPS). ⁽¹⁾
- Core net income was \$128.2 million. ⁽¹⁾
- Core diluted EPS were \$0.81, including \$0.10 per share of gain on investment securities. ⁽¹⁾
- Loan originations totaled \$4.7 billion, our third-highest quarter ever.
- Loans sold totaled \$1.8 billion, our highest ever.
- Core revenues, after excluding gain on investment securities of \$23.6 million, were up 20.5% from the third quarter of last year. ⁽¹⁾
- Core net interest margin was 3.09%, compared to 3.16% for the prior quarter. ⁽¹⁾
- Core efficiency ratio was 55.4% (58.7% after excluding gain on investment securities). ⁽¹⁾
- Book value per share was \$27.48, up 13.9% from a year ago.

Continued Credit and Financial Strength

- Nonperforming assets continued to be extremely low at 11 basis points of total assets.
- New single family loans originated during the quarter had a weighted average loan-to-value (“LTV”) ratio of 60% and an average borrower FICO score of 761.
- New multifamily and commercial real estate loans originated during the quarter had a weighted average LTV ratio of 55% with very strong debt service coverage ratios.
- Tier 1 leverage ratio was 9.51%.

⁽¹⁾ “Core” measures are non-GAAP financial measures that exclude the impact of purchase accounting. See non-GAAP reconciliation under section “Use of Non-GAAP Financial Measures.”

Franchise Development

- Loans outstanding, excluding loans held for sale, totaled \$36.7 billion, up 9.6% annualized from year-end.
- Deposits were \$35.6 billion, up 14.7% annualized from year-end. Checking balances were up 27.1% annualized since year-end and represented 55% of total deposits.
- Wealth management assets were \$51.4 billion, up 31.5% annualized from year-end.

“Demand for our high-quality loans in the secondary market resulted in record loan sales for the quarter,” said President Katherine August-deWilde. “Growth in wealth management assets was also very strong.”

Quarterly Cash Dividend Declared

The Bank declared a cash dividend for the third quarter of \$0.14 per share of common stock, which is payable on November 13, 2014 to shareholders of record as of October 30, 2014.

Strong Asset Quality

The Bank’s credit quality remains very strong. Nonperforming assets were 11 basis points of total assets.

Net recoveries were \$223,000 for the quarter.

In the third quarter, the Bank recorded a provision for loan losses of \$13.5 million. The allowance related to loans originated since our re-establishment as an independent bank on July 1, 2010 totaled \$187.7 million, or 0.60% of such loans outstanding.

Capital Strength

The Bank’s Tier 1 leverage ratio was 9.51% at September 30, 2014, compared to 9.73% at June 30, 2014. The Tier 1 common equity ratio was 11.07% at September 30, 2014.

Growing Book Value

Book value per common share was \$27.48 at September 30, 2014, up 2.5% for the quarter and up 13.9% from a year ago.

Franchise Development***Composition of Loan Originations***

Loan originations totaled \$4.7 billion for the quarter. Single family and home equity lines of credit originations were \$2.6 billion, or 55% of total originations. Over 61% of the quarter’s single family home loan originations were for purchases.

Mortgage Banking Activity

Loan sales volume and profitability were up compared to the third quarter of last year. The Bank sold a record \$1.8 billion of primarily intermediate-term, fixed-rate home loans during the quarter and recorded a gain on sale of \$13.7 million. The margin on such loan sales was 0.67%, excluding the impact of purchase accounting.

For the nine months ended September 30, 2014, the Bank sold \$3.4 billion of loans, compared to \$2.4 billion for the same period last year. Gain on sale of loans for the nine months ended September 30, 2014 was \$31.4 million, compared to \$36.0 million for the same period a year ago. Strong demand for the Bank's high-quality single family loans has continued in the secondary market during the third quarter of 2014. These loan sales are used in the ordinary course of business to help provide a full range of lending options for clients, manage asset growth and manage interest rate risk.

Loans serviced for investors totaled \$8.9 billion, up 21.6% from the prior quarter and 48.7% from a year ago primarily due to the increased level of loan sales in 2014.

Expansion of Wealth Management

Wealth management revenues totaled \$44.7 million for the quarter, up 5.3% compared to the prior quarter and up 32.1% compared to last year's third quarter.

Total wealth management assets were \$51.4 billion, up 5.6% for the quarter and up 31.5% annualized since year-end. The growth in wealth management assets was primarily due to net new assets from both existing and new clients. Wealth management assets include investment management assets of \$26.3 billion, brokerage assets and money market mutual funds of \$19.0 billion, and trust and custody assets of \$6.1 billion.

Deposit Results

Total deposits increased to \$35.6 billion, up 1.6% for the quarter and up 14.7% annualized since year-end. At September 30, 2014, 55% of deposits were checking accounts.

The average contractual rate paid on all deposits was 0.19% for the quarter, which was the same as the prior quarter.

Income Statement and Key Ratios***Quarterly Highlights*****Revenue Growth**

Total revenues were \$440.7 million. Excluding gain on sales of investment securities of \$23.6 million, revenues were \$417.1 million, an increase of 1.4% from the prior quarter and 15.1% over the third quarter last year.

Core revenues were \$423.2 million. Excluding gain on sales of investment securities, core revenues were \$399.6 million, an increase of 2.5% from the prior quarter and 20.5% over the third quarter last year. ⁽¹⁾

Net Interest Income Growth

Net interest income was \$336.0 million, a 0.8% increase from the prior quarter and a 9.0% increase over the third quarter last year.

Core net interest income was \$320.2 million, up 2.6% from the prior quarter and up 15.3% over the third quarter last year. ⁽¹⁾

Net Interest Margin

The Bank's net interest margin was 3.25%, compared to 3.38% for the prior quarter.

The core net interest margin was 3.09%, compared to 3.16% for the prior quarter. ⁽¹⁾ The decrease was primarily the result of a decrease in contractual loan yields, along with higher average cash balances.

Noninterest Income

Noninterest income was \$104.7 million. Excluding gain on sales of investment securities, noninterest income was \$81.1 million, an increase of 4.1% compared to the prior quarter and 50.2% compared to the third quarter a year ago. The increase compared to the prior quarter was primarily due to an increase in investment advisory fees. The increase over the third quarter last year was primarily due to increases in gain on sale of loans, investment advisory fees and foreign exchange fees.

The gain on sales of investment securities in the third quarter of 2014 was primarily the result of the Bank's repositioning of its investment portfolio. The proceeds from these sales were reinvested in securities considered to be "High-Quality Liquid Assets" from a regulatory perspective, which further enhanced our on-balance sheet liquidity.

Noninterest Expense and Efficiency Ratio

Noninterest expense was \$238.4 million, a 7.0% increase over the prior quarter and a 24.4% increase from the third quarter a year ago. The increase in noninterest expense from the prior quarter is primarily attributable to increased professional fees, salaries and information systems costs in connection with the Bank's investments to address enhanced regulatory standards, compliance and related infrastructure build-out as the Bank prepares to grow past \$50 billion in total assets.

The Bank's efficiency ratio was 54.1%, compared to 54.3% for the prior quarter and 53.0% for the third quarter a year ago.

The Bank's core efficiency ratio was 55.4%, compared to 56.3% for the prior quarter and 56.5% for the third quarter a year ago. ⁽¹⁾ Excluding gain on sales of investment securities, the core efficiency ratio was 58.7% for the third quarter.

Income Tax Rate

The Bank's effective tax rate for the nine months ended September 30, 2014 was 27.4% and represents the current estimated tax rate for the full year 2014. By comparison, the effective tax rate was 30.4% for 2013. The decrease in the effective tax rate results from the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

Conference Call Details

First Republic Bank's third quarter 2014 earnings conference call is scheduled for October 16, 2014 at 7:00 a.m. PT / 10:00 a.m. ET. To listen to the live call by telephone, please dial (855) 224-3902 approximately 10 minutes prior to the start time (to allow time for registration) and use conference ID #8777040. International callers should dial (734) 823-3244. The call will also be broadcast live over the Internet and can be accessed in the Investor Relations section of First Republic's website at www.firstrepublic.com. To listen to the live webcast, please visit the site at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. A replay of the call will also be available for 90 days on the website. For those unable to participate in the live presentation, a replay will be available beginning October 16, 2014, at 10:30 a.m. PT / 1:30 p.m. ET, through October 24, 2014, at 8:59 p.m. PT / 11:59 p.m. ET. To access the replay, dial (855) 859-2056 (U.S.) and use conference ID #8777040. International callers should dial (404) 537-3406 and enter the same conference ID number. The Bank's press releases are available after release on the Bank's website at www.firstrepublic.com.

About First Republic Bank

Founded in 1985, First Republic and its subsidiaries offer private banking, private business banking and private wealth management, including investment, trust and brokerage services. First Republic specializes in delivering exceptional, relationship-based service, with a solid commitment to responsiveness and action. Services are offered through preferred banking or wealth management offices primarily in San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San

Diego, Portland, Boston, Palm Beach, Greenwich and New York City. First Republic offers a complete line of banking products for individuals and businesses, including deposit services, as well as residential, commercial and personal loans. For more information, visit www.firstrepublic.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this press release 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. 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 and include statements about economic performance in our markets, growth in our loan originations and wealth management assets, our progress in preparing for enhanced regulatory requirements, and our projected tax rate. 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. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: our ability to compete for banking and wealth management customers; earthquakes and other natural disasters in our markets; changes in interest rates; our ability to maintain high underwriting standards; economic conditions in our markets; conditions in financial markets and economic conditions generally; regulatory restrictions on our operations and current or future legislative or regulatory changes affecting the banking and investment management industries. For a discussion of these and other risks and uncertainties, see First Republic’s FDIC filings, including, but not limited to, the risk factors in First Republic’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available in the Investor Relations section of our website. 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. 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.

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts)	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Interest income:					
Loans	\$ 322,987	\$ 303,747	\$ 318,711	\$ 949,385	\$ 886,055
Investments	52,429	41,212	50,811	152,084	115,121
Cash and cash equivalents	980	1,091	781	2,541	1,364
Total interest income	376,396	346,050	370,303	1,104,010	1,002,540
Interest expense:					
Deposits	15,935	18,504	14,818	45,984	42,768
Borrowings	24,472	19,336	22,272	68,121	50,421
Total interest expense	40,407	37,840	37,090	114,105	93,189
Net interest income	335,989	308,210	333,213	989,905	909,351
Provision for loan losses	13,515	10,023	21,800	42,410	29,154
Net interest income after provision for loan losses	322,474	298,187	311,413	947,495	880,197
Noninterest income:					
Investment advisory fees	38,443	28,766	36,197	107,948	81,390
Brokerage and investment fees	3,665	2,518	3,393	10,063	7,980
Trust fees	2,604	2,552	2,860	7,883	7,110
Foreign exchange fee income	4,728	2,938	5,052	13,287	10,664
Deposit fees	4,653	4,458	4,637	13,834	13,713
Gain on sale of loans	13,713	1,215	14,850	31,408	35,984
Loan servicing fees, net	2,523	3,443	2,008	6,527	5,078
Loan and related fees	2,590	1,753	1,695	6,193	5,774
Income from investments in life insurance	7,770	5,813	6,424	21,169	17,609
Gain (loss) on investment securities, net	23,580	(369)	(1,085)	22,404	972
Other income	402	545	807	1,805	1,876
Total noninterest income	104,671	53,632	76,838	242,521	188,150
Noninterest expense:					
Salaries and employee benefits	122,585	98,880	117,191	360,361	298,921
Occupancy	24,841	22,822	23,438	72,384	67,814
Information systems	24,445	20,496	23,161	69,027	57,823
Professional fees	18,355	6,355	10,816	36,387	15,172
FDIC and other deposit assessments	7,900	6,849	7,650	22,994	20,476
Advertising and marketing	6,204	5,820	8,001	20,219	18,465
Amortization of intangibles	5,580	6,430	5,792	17,376	19,929
Other expenses	28,467	24,023	26,679	79,848	68,468
Total noninterest expense	238,377	191,675	222,728	678,596	567,068
Income before provision for income taxes	188,768	160,144	165,523	511,420	501,279
Provision for income taxes	52,757	48,396	44,691	139,873	154,508
Net income	136,011	111,748	120,832	371,547	346,771
Dividends on preferred stock	13,889	10,389	13,889	41,667	27,871
Net income available to common shareholders	\$ 122,122	\$ 101,359	\$ 106,943	\$ 329,880	\$ 318,900
Basic earnings per common share	\$ 0.89	\$ 0.77	\$ 0.78	\$ 2.43	\$ 2.43
Diluted earnings per common share	\$ 0.86	\$ 0.74	\$ 0.76	\$ 2.35	\$ 2.35
Dividends per common share	\$ 0.14	\$ 0.12	\$ 0.14	\$ 0.40	\$ 0.24
Weighted average shares—basic	137,661	131,436	137,279	135,957	131,130
Weighted average shares—diluted	141,548	136,133	141,473	140,096	135,692

CONSOLIDATED BALANCE SHEET

(\$ in thousands)	As of		
	September 30, 2014	June 30, 2014	September 30, 2013
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,372,728	\$ 1,751,017	\$ 1,934,727
Securities purchased under agreements to resell	100	100	19,373
Investment securities available-for-sale	1,648,013	1,991,826	1,221,802
Investment securities held-to-maturity	3,995,007	3,380,479	2,966,120
Loans:			
Single family (1-4 units)	20,170,945	20,545,900	18,880,349
Home equity lines of credit	2,133,518	2,055,352	1,959,032
Multifamily (5+ units)	4,545,751	4,366,068	3,915,097
Commercial real estate	3,737,255	3,582,174	3,318,749
Single family construction	406,186	348,322	275,485
Multifamily/commercial construction	428,864	363,416	274,543
Commercial business	4,305,800	4,150,075	3,202,098
Other secured	459,105	528,775	422,651
Unsecured loans and lines of credit	225,542	232,800	271,393
Stock secured	250,378	256,106	120,195
Total unpaid principal balance	36,663,344	36,428,988	32,639,592
Net unaccrued discount	(166,756)	(182,866)	(242,525)
Net deferred fees and costs	28,570	29,640	17,192
Allowance for loan losses	(195,049)	(181,311)	(145,912)
Loans, net	36,330,109	36,094,451	32,268,347
Loans held for sale	339,680	236,467	60,054
Investments in life insurance	1,006,125	878,935	759,240
Tax credit investments	809,288	756,655	624,836
Prepaid expenses and other assets	749,551	708,327	655,067
Premises, equipment and leasehold improvements, net	162,991	162,742	162,839
Goodwill	106,549	106,549	106,549
Other intangible assets	115,369	120,949	138,963
Mortgage servicing rights	45,410	36,079	29,870
Other real estate owned	—	4,767	3,353
Total Assets	\$ 46,680,920	\$ 46,229,343	\$ 40,951,140
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Deposits:			
Noninterest-bearing checking accounts	\$ 11,949,000	\$ 11,285,200	\$ 8,554,095
Interest-bearing checking accounts	7,514,917	7,416,578	6,440,239
Money Market (MM) checking accounts	5,443,037	5,282,809	5,111,552
MM savings and passbooks	6,983,146	7,460,048	7,151,758
Certificates of deposit	3,717,307	3,589,844	4,032,725
Total Deposits	35,607,407	35,034,479	31,290,369
Long-term FHLB advances	5,275,000	5,550,000	5,150,000
Senior notes	399,486	399,460	—
Debt related to variable interest entities	38,199	37,126	46,999
Other liabilities	675,153	618,219	584,655
Total Liabilities	41,995,245	41,639,284	37,072,023
Shareholders' Equity:			
Preferred stock	889,525	889,525	689,525
Common stock	1,382	1,380	1,322
Additional paid-in capital	2,306,159	2,296,647	2,043,498
Retained earnings	1,488,846	1,386,235	1,127,397
Accumulated other comprehensive income (loss)	(237)	16,272	17,375
Total Shareholders' Equity	4,685,675	4,590,059	3,879,117
Total Liabilities and Shareholders' Equity	\$ 46,680,920	\$ 46,229,343	\$ 40,951,140

Operating Information and Yields/Rates	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>(\$ in thousands)</i>					
Operating Information					
Net income to average assets ⁽²⁾	1.14%	1.12%	1.08%	1.10%	1.26%
Net income available to common shareholders to average common equity ⁽²⁾	12.80%	12.69%	11.67%	12.21%	13.85%
Dividend payout ratio	16.2%	16.1%	18.5%	17.0%	10.2%
Efficiency ratio ⁽³⁾	54.1%	53.0%	54.3%	55.1%	51.7%
Efficiency ratio (non-GAAP) ^{(1), (3)}	55.4%	56.5%	56.3%	56.8%	55.4%
Net loan charge-offs (recoveries) to allowance for loan losses	\$ (223)	\$ 12,418	\$ 130	\$ 366	\$ 13,131
Net loan charge-offs (recoveries) to average total loans ⁽²⁾	(0.00)%	0.16%	0.00%	0.00%	0.06%
Yields/Rates ⁽²⁾					
Cash and cash equivalents	0.25%	0.26%	0.25%	0.25%	0.25%
Investment securities ^{(4), (5)}	5.05%	5.30%	5.19%	5.13%	5.15%
Loans ^{(4), (6)}	<u>3.52%</u>	<u>3.90%</u>	<u>3.62%</u>	<u>3.60%</u>	<u>4.01%</u>
Total interest-earning assets	3.60%	3.90%	3.73%	3.69%	4.07%
Checking	0.01%	0.02%	0.01%	0.01%	0.01%
Money market checking and savings	0.14%	0.26%	0.15%	0.15%	0.19%
CDs ⁽⁶⁾	<u>1.17%</u>	<u>1.04%</u>	<u>1.08%</u>	<u>1.10%</u>	<u>1.06%</u>
Total deposits	0.18%	0.24%	0.17%	0.18%	0.20%
Short-term borrowings	—%	0.00%	0.00%	0.00%	0.19%
Long-term FHLB advances	1.56%	1.57%	1.56%	1.56%	1.66%
Senior notes ⁽⁷⁾	2.57%	—%	2.58%	2.55%	—%
Debt related to variable interest entities	<u>1.68%</u>	<u>1.79%</u>	<u>1.65%</u>	<u>1.71%</u>	<u>1.77%</u>
Total borrowings	<u>1.63%</u>	<u>1.57%</u>	<u>1.57%</u>	<u>1.59%</u>	<u>1.48%</u>
Total interest-bearing liabilities	0.38%	0.43%	0.37%	0.38%	0.38%
Net interest spread	3.22%	3.47%	3.36%	3.31%	3.69%
Net interest margin	3.25%	3.50%	3.38%	3.33%	3.71%
Net interest margin (non-GAAP) ⁽¹⁾	3.09%	3.15%	3.16%	3.14%	3.30%

⁽²⁾ Ratios are annualized.

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

⁽⁴⁾ Yield is calculated on a tax-equivalent basis.

⁽⁵⁾ Includes FHLB stock and securities purchased under agreements to resell.

⁽⁶⁾ Yield/rate includes accretion/amortization of purchase accounting discounts/premiums.

⁽⁷⁾ Rate includes amortization of issuance costs.

Mortgage Loan Sales	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>(\$ in thousands)</i>					
Loans sold:					
Agency	\$ 45,319	\$ 48,509	\$ 30,478	\$ 106,362	\$ 413,753
Non-agency	1,751,630	235,658	1,244,621	3,311,886	2,033,959
Total loans sold	<u>\$ 1,796,949</u>	<u>\$ 284,167</u>	<u>\$ 1,275,099</u>	<u>\$ 3,418,248</u>	<u>\$ 2,447,712</u>
Gain on sale of loans:					
Amount	\$ 13,713	\$ 1,215	\$ 14,850	\$ 31,408	\$ 35,984
Gain as a percentage of loans sold ⁽⁸⁾	0.67%	0.43%	1.16%	0.87%	1.47%

⁽⁸⁾ Excludes purchase accounting discounts recognized in gain on sale of loans.

Loan Originations	Quarter Ended September 30,		Quarter Ended June 30,		Nine Months Ended September 30,	
	2014	2013	2014	2014	2013	
<i>(\$ in thousands)</i>						
Single family (1-4 units)	\$ 2,251,341	\$ 2,269,410	\$ 2,349,203	\$ 6,046,756	\$ 7,177,246	
Home equity lines of credit	378,374	350,452	414,356	1,119,447	963,328	
Multifamily (5+ units)	374,816	576,604	342,038	1,103,852	1,478,685	
Commercial real estate	312,668	366,820	187,233	726,489	908,448	
Construction	256,992	297,878	276,200	684,474	671,985	
Commercial business	1,016,432	871,356	914,805	2,401,190	2,047,989	
Other loans	155,306	197,839	212,364	581,418	538,730	
Total loans originated	<u>\$ 4,745,929</u>	<u>\$ 4,930,359</u>	<u>\$ 4,696,199</u>	<u>\$ 12,663,626</u>	<u>\$ 13,786,411</u>	

Composition of Loan Portfolio	As of September 30, 2014		
	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total Loans
<i>(\$ in thousands)</i>			
Single family (1-4 units)	\$ 3,073,868	\$ 17,097,077	\$ 20,170,945
Home equity lines of credit	659,390	1,474,128	2,133,518
Multifamily (5+ units)	373,809	4,171,942	4,545,751
Commercial real estate	694,158	3,043,097	3,737,255
Single family construction	5,263	400,923	406,186
Multifamily/commercial construction	1,151	427,713	428,864
Commercial business	318,811	3,986,989	4,305,800
Other secured	32,857	426,248	459,105
Unsecured loans and lines of credit	30,828	194,714	225,542
Stock secured	4,689	245,689	250,378
Total unpaid principal balance	<u>5,194,824</u>	<u>31,468,520</u>	<u>36,663,344</u>
Net unaccreted discount	(166,427)	(329)	(166,756)
Net deferred fees and costs	(5,471)	34,041	28,570
Allowance for loan losses	(7,302)	(187,747)	(195,049)
Loans, net	<u>\$ 5,015,624</u>	<u>\$ 31,314,485</u>	<u>\$ 36,330,109</u>

Asset Quality Information	As of				
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
<i>(\$ in thousands)</i>					
Nonperforming assets:					
Nonaccrual loans	\$ 50,179	\$ 47,373	\$ 52,109	\$ 54,492	\$ 51,847
Other real estate owned	—	4,767	3,200	3,200	3,353
Total nonperforming assets	<u>\$ 50,179</u>	<u>\$ 52,140</u>	<u>\$ 55,309</u>	<u>\$ 57,692</u>	<u>\$ 55,200</u>
Nonperforming assets to total assets	0.11%	0.11%	0.12%	0.14%	0.13%
Accruing loans 90 days or more past due	\$ —	\$ —	\$ —	\$ —	\$ —
Restructured accruing loans	\$ 18,321	\$ 18,453	\$ 18,278	\$ 19,984	\$ 19,950

Book Value and Capital Ratios	As of				
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
<i>(in thousands, except per share amounts)</i>					
Book Value					
Number of shares of common stock outstanding	138,155	137,977	137,521	132,768	132,179
Book value per common share	\$ 27.48	\$ 26.82	\$ 26.21	\$ 24.63	\$ 24.13
Tangible book value per common share	\$ 25.87	\$ 25.17	\$ 24.51	\$ 22.83	\$ 22.27
Capital Ratios					
Tier 1 leverage ratio	9.51%	9.73%	9.85%	9.19%	9.18%
Tier 1 common equity ratio ⁽⁹⁾	11.07%	10.93%	11.12%	10.30%	10.57%
Tier 1 risk-based capital ratio	13.83%	13.74%	14.07%	13.34%	13.06%
Total risk-based capital ratio	14.47%	14.35%	14.64%	13.89%	13.62%

⁽⁹⁾ Tier 1 common equity ratio represents common equity less goodwill and intangible assets divided by risk-weighted assets.

Assets Under Management	As of				
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
<i>(\$ in millions)</i>					
First Republic Investment Management	\$ 26,255	\$ 25,132	\$ 23,286	\$ 21,812	\$ 20,093
Brokerage and Investment:					
Brokerage	17,184	16,152	14,474	12,933	11,905
Money Market Mutual Funds	1,796	1,092	1,224	941	870
Total Brokerage and Investment	18,980	17,244	15,698	13,874	12,775
Trust Company:					
Trust	3,044	3,149	3,173	3,013	2,857
Custody	3,103	3,143	2,985	2,879	2,510
Total Trust Company	6,147	6,292	6,158	5,892	5,367
Total Wealth Management Assets	51,382	48,668	45,142	41,578	38,235
Loans serviced for investors	8,859	7,283	6,198	6,000	5,957
Total fee-based assets	\$ 60,241	\$ 55,951	\$ 51,340	\$ 47,578	\$ 44,192

Average Balance Sheet	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>(\$ in thousands)</i>					
Assets:					
Cash and cash equivalents	\$ 1,547,482	\$ 1,691,248	\$ 1,229,510	\$ 1,341,957	\$ 730,832
Investment securities ⁽¹⁰⁾	5,734,607	4,350,133	5,456,367	5,493,106	4,196,834
Loans ⁽¹¹⁾	37,197,470	31,371,115	35,792,956	35,833,363	29,794,873
Total interest-earning assets	<u>44,479,559</u>	<u>37,412,496</u>	<u>42,478,833</u>	<u>42,668,426</u>	<u>34,722,539</u>
Noninterest-earning cash	247,101	247,206	227,488	231,065	243,339
Goodwill and other intangibles	224,630	248,641	230,303	230,339	255,193
Other assets	2,247,529	1,776,161	2,004,251	2,053,326	1,672,129
Total noninterest-earning assets	<u>2,719,260</u>	<u>2,272,008</u>	<u>2,462,042</u>	<u>2,514,730</u>	<u>2,170,661</u>
Total Assets	<u>\$ 47,198,819</u>	<u>\$ 39,684,504</u>	<u>\$ 44,940,875</u>	<u>\$ 45,183,156</u>	<u>\$ 36,893,200</u>
Liabilities and Equity:					
Checking	\$ 19,211,769	\$ 14,629,935	\$ 17,767,019	\$ 17,857,530	\$ 13,884,294
Money market checking and savings	12,902,904	11,884,853	12,714,426	12,763,328	10,981,055
CDs ⁽¹¹⁾	3,698,444	3,861,458	3,574,414	3,659,391	3,262,834
Total deposits	<u>35,813,117</u>	<u>30,376,246</u>	<u>34,055,859</u>	<u>34,280,249</u>	<u>28,128,183</u>
Short-term borrowings	—	2,391	11	4	537,703
Long-term FHLB advances	5,520,924	4,822,826	5,587,363	5,542,033	3,951,465
Senior notes ⁽¹²⁾	399,472	—	61,455	155,105	—
Debt related to variable interest entities	38,640	49,233	41,502	40,897	52,338
Total borrowings	<u>5,959,036</u>	<u>4,874,450</u>	<u>5,690,331</u>	<u>5,738,039</u>	<u>4,541,506</u>
Total interest-bearing liabilities	<u>41,772,153</u>	<u>35,250,696</u>	<u>39,746,190</u>	<u>40,018,288</u>	<u>32,669,689</u>
Noninterest-bearing liabilities	752,674	575,420	630,185	662,362	533,280
Preferred equity	889,525	689,525	889,525	889,525	611,192
Common equity	3,784,467	3,168,863	3,674,975	3,612,981	3,079,039
Total Liabilities and Equity	<u>\$ 47,198,819</u>	<u>\$ 39,684,504</u>	<u>\$ 44,940,875</u>	<u>\$ 45,183,156</u>	<u>\$ 36,893,200</u>

⁽¹⁰⁾ Includes FHLB stock and securities purchased under agreements to resell.

⁽¹¹⁾ Average balances are presented net of purchase accounting discounts or premiums.

⁽¹²⁾ Average balances include unamortized issuance costs.

Purchase Accounting Accretion and Amortization ⁽¹³⁾	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>(\$ in thousands)</i>					
Accretion/amortization to net interest income:					
Loans	\$ 14,332	\$ 28,008	\$ 19,614	\$ 51,561	\$ 89,326
Deposits	1,468	2,619	1,648	5,039	9,095
Total	<u>\$ 15,800</u>	<u>\$ 30,627</u>	<u>\$ 21,262</u>	<u>\$ 56,600</u>	<u>\$ 98,421</u>
Noninterest income:					
Discounts recognized in gain on sale of loans	<u>\$ 1,679</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,679</u>	<u>\$ —</u>
Amortization to noninterest expense:					
Intangible assets	<u>\$ 3,808</u>	<u>\$ 4,447</u>	<u>\$ 3,968</u>	<u>\$ 11,903</u>	<u>\$ 13,824</u>

⁽¹³⁾ Related to the Bank's re-establishment as an independent institution.

Use of Non-GAAP Financial Measures

Our accounting and reporting policies conform to generally accepted accounting principles in the United States (“GAAP”) and the prevailing practices in the banking industry. However, due to the application of purchase accounting from the Bank’s re-establishment as an independent institution, management uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate our performance, including net income, earnings per share, yield on average loans, cost of average deposits, net interest margin and the efficiency ratio.

Our net income, earnings per share, yield on average loans, cost of average deposits, net interest margin and efficiency ratio were significantly impacted by accretion and amortization of the fair value adjustments recorded in purchase accounting from the Bank’s re-establishment as an independent institution. The accretion and amortization affect our net income, earnings per share and certain operating ratios as we accrete loan discounts to interest income; recognize discounts established in purchase accounting on the sale of loans, which increase gain on sale of loans; amortize premiums on CDs to interest expense; and amortize intangible assets to noninterest expense.

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

	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>Non-GAAP Earnings</i>					
<i>(in thousands, except per share amounts)</i>					
Net income	\$ 136,011	\$ 111,748	\$ 120,832	\$ 371,547	\$ 346,771
Accretion/amortization added to net interest income	(15,800)	(30,627)	(21,262)	(56,600)	(98,421)
Discounts recognized in gain on sale of loans	(1,679)	—	—	(1,679)	—
Amortization of intangible assets	3,808	4,447	3,968	11,903	13,824
Add back tax impact of the above items	5,810	11,127	7,350	19,710	35,954
Non-GAAP net income	128,150	96,695	110,888	344,881	298,128
Dividends on preferred stock	(13,889)	(10,389)	(13,889)	(41,667)	(27,871)
Non-GAAP net income available to common shareholders	\$ 114,261	\$ 86,306	\$ 96,999	\$ 303,214	\$ 270,257
GAAP earnings per common share—diluted	\$ 0.86	\$ 0.74	\$ 0.76	\$ 2.35	\$ 2.35
Impact of purchase accounting, net of tax	(0.05)	(0.11)	(0.07)	(0.19)	(0.36)
Non-GAAP earnings per common share—diluted	\$ 0.81	\$ 0.63	\$ 0.69	\$ 2.16	\$ 1.99
Weighted average diluted common shares outstanding	141,548	136,133	141,473	140,096	135,692

<i>Yield on Average Loans</i> <i>(\$ in thousands)</i>	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Interest income on loans	\$ 322,987	\$ 303,747	\$ 318,711	\$ 949,385	\$ 886,055
Add: Tax-equivalent adjustment on loans	7,792	5,459	7,028	21,339	13,803
Interest income on loans (tax-equivalent basis)	330,779	309,206	325,739	970,724	899,858
Less: Accretion	(14,332)	(28,008)	(19,614)	(51,561)	(89,326)
Non-GAAP interest income on loans (tax-equivalent basis)	\$ 316,447	\$ 281,198	\$ 306,125	\$ 919,163	\$ 810,532
Average loans	\$ 37,197,470	\$ 31,371,115	\$ 35,792,956	\$ 35,833,363	\$ 29,794,873
Add: Average unaccreted loan discounts	177,380	261,121	196,082	195,705	291,604
Average loans (non-GAAP)	\$ 37,374,850	\$ 31,632,236	\$ 35,989,038	\$ 36,029,068	\$ 30,086,477
Yield on average loans—reported ⁽⁴⁾	3.52%	3.90%	3.62%	3.60%	4.01%
Contractual yield on average loans (non-GAAP) ⁽⁴⁾	3.35%	3.52%	3.39%	3.39%	3.58%

<i>Cost of Average Deposits</i> <i>(\$ in thousands)</i>	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Interest expense on deposits	\$ 15,935	\$ 18,504	\$ 14,818	\$ 45,984	\$ 42,768
Add: Amortization of CD premiums	1,468	2,619	1,648	5,039	9,095
Non-GAAP interest expense on deposits	\$ 17,403	\$ 21,123	\$ 16,466	\$ 51,023	\$ 51,863
Average deposits	\$ 35,813,117	\$ 30,376,246	\$ 34,055,859	\$ 34,280,249	\$ 28,128,183
Less: Average unamortized CD premiums	(3,031)	(11,400)	(4,555)	(4,640)	(14,338)
Average deposits (non-GAAP)	\$ 35,810,086	\$ 30,364,846	\$ 34,051,304	\$ 34,275,609	\$ 28,113,845
Cost of average deposits—reported	0.18%	0.24%	0.17%	0.18%	0.20%
Contractual cost of average deposits (non-GAAP)	0.19%	0.28%	0.19%	0.20%	0.25%

<i>Net Interest Margin</i> <i>(\$ in thousands)</i>	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Net interest income	\$ 335,989	\$ 308,210	\$ 333,213	\$ 989,905	\$ 909,351
Add: Tax-equivalent adjustment	27,710	21,955	26,994	80,557	60,911
Net interest income (tax-equivalent basis)	363,699	330,165	360,207	1,070,462	970,262
Less: Accretion/amortization	(15,800)	(30,627)	(21,262)	(56,600)	(98,421)
Non-GAAP net interest income (tax-equivalent basis)	\$ 347,899	\$ 299,538	\$ 338,945	\$ 1,013,862	\$ 871,841
Average interest-earning assets	\$ 44,479,559	\$ 37,412,496	\$ 42,478,833	\$ 42,668,426	\$ 34,722,539
Add: Average unaccreted loan discounts	177,380	261,121	196,082	195,705	291,604
Average interest-earning assets (non-GAAP)	\$ 44,656,939	\$ 37,673,617	\$ 42,674,915	\$ 42,864,131	\$ 35,014,143
Net interest margin—reported	3.25%	3.50%	3.38%	3.33%	3.71%
Net interest margin (non-GAAP)	3.09%	3.15%	3.16%	3.14%	3.30%

<i>Efficiency Ratio</i>	Quarter Ended September 30,		Quarter Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
<i>(\$ in thousands)</i>					
Net interest income	\$ 335,989	\$ 308,210	\$ 333,213	\$ 989,905	\$ 909,351
Less: Accretion/amortization	(15,800)	(30,627)	(21,262)	(56,600)	(98,421)
Net interest income (non-GAAP)	<u>\$ 320,189</u>	<u>\$ 277,583</u>	<u>\$ 311,951</u>	<u>\$ 933,305</u>	<u>\$ 810,930</u>
Noninterest income	\$ 104,671	\$ 53,632	\$ 76,838	\$ 242,521	\$ 188,150
Less: Discounts recognized in gain on sale of loans	(1,679)	—	—	(1,679)	—
Noninterest income (non-GAAP)	<u>\$ 102,992</u>	<u>\$ 53,632</u>	<u>\$ 76,838</u>	<u>\$ 240,842</u>	<u>\$ 188,150</u>
Total revenue	\$ 440,660	\$ 361,842	\$ 410,051	\$ 1,232,426	\$ 1,097,501
Total revenue (non-GAAP)	\$ 423,181	\$ 331,215	\$ 388,789	\$ 1,174,147	\$ 999,080
Noninterest expense	\$ 238,377	\$ 191,675	\$ 222,728	\$ 678,596	\$ 567,068
Less: Intangible amortization	(3,808)	(4,447)	(3,968)	(11,903)	(13,824)
Noninterest expense (non-GAAP)	<u>\$ 234,569</u>	<u>\$ 187,228</u>	<u>\$ 218,760</u>	<u>\$ 666,693</u>	<u>\$ 553,244</u>
Efficiency ratio	54.1%	53.0%	54.3%	55.1%	51.7%
Efficiency ratio (non-GAAP)	55.4%	56.5%	56.3%	56.8%	55.4%

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