FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10-K

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

For the fiscal year ended December 31, 2013

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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 6.70% Noncumulative Perpetual Series A Preferred Stock	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 6.20% Noncumulative Perpetual Series B Preferred Stock	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.625% Noncumulative Perpetual Series C Preferred Stock	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.50% Noncumulative Perpetual Series D Preferred Stock	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 7.00% Noncumulative Perpetual Series E Preferred Stock	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price of $38.48 as of June 30, 2013 was approximately $5.1 billion.

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of February 14, 2014 was 132,808,620.

DOCUMENTS INCORPORATED BY REFERENCE

The following document is incorporated by reference in parts of the Form 10-K:

Portions of the Bank's definitive proxy statement for its annual meeting of shareholders to be held on May 13, 2014 (the "2014 Proxy Statement," which will be filed within 120 days of the Bank's last fiscal year end) are incorporated in Part III of the Form 10-K.

The index to Exhibits appears on page 171.

FIRST REPUBLIC BANK

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EXPLANATORY NOTE

As used throughout this document, the terms "First Republic," the "Bank," "we," "our" and "us" mean, as the context requires:

- First Republic Bank, a Nevada-chartered commercial bank (the predecessors of which had been in existence since 1985) before its acquisition in September 2007 by Merrill Lynch Bank & Trust Company, F.S.B. ("MLFSB"), a subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), together with all subsidiaries then-owned by First Republic Bank;
- The First Republic division within MLFSB following the September 2007 acquisition and the First Republic division within Bank of America, N.A. ("BANA"), a subsidiary of Bank of America Corporation ("Bank of America"), following MLFSB's merger into BANA, effective as of November 2009, in each case including all subsidiaries acquired by MLFSB as part of the September 2007 acquisition; and
- First Republic Bank, a California-chartered commercial bank, that acquired the First Republic division of BANA effective upon the close of business on June 30, 2010, including all subsidiaries acquired by First Republic Bank in connection with the 2010 acquisition.

PART I

Information Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Annual 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." Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Significant competition to attract and retain banking and wealth management customers;
- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure or other financial items;
- Expectations regarding the banking and wealth management industries;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Descriptions of plans or objectives of management for future operations, products or services;
- Our ability to maintain and follow high underwriting standards;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Geographic concentration of our operations;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance in any new offices or the integration of newly acquired activities;
- Demand for our products and services;
- Projections about loan premiums or discounts and about the amount of intangible assets, as well as related tax entries and 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;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements, including potential restrictions as a de novo institution;
- The implementation of the final capital rules regarding the Basel Committee's "Basel III" December 2010 framework and changes to risk-weighted assets;
- Recently proposed Liquidity Coverage Ratio rules and our ability to maintain an adequate level of unencumbered high quality liquid assets;

- Proposed legislative and regulatory actions affecting us and the financial services industry, including increased compliance costs, limitations on activities and requirements to hold additional liquidity or capital;
- The impact of new accounting standards;
- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual Report. 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.

Item 1. Business.

General

Founded in 1985, we are a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. We specialize in providing personalized, relationship-based Preferred Banking, preferred business banking, real estate lending, trust and wealth management services to clients in selected metropolitan areas throughout the United States. As of December 31, 2013, we had total assets of $42.1 billion, total deposits of $32.1 billion, total equity of $4.2 billion and wealth management assets of $41.6 billion.

As of December 31, 2013, we provided our services through 73 offices, of which 66 are Preferred Banking licensed deposit-taking offices in the following metropolitan areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, New York City, Boston, Palm Beach (Florida) and Portland (Oregon). In January 2014, we opened an additional Preferred Banking Office in downtown San Diego. We have 7 additional offices that offer exclusively lending, wealth management or trust services. Approximately 66% of our loans outstanding are in California as of December 31, 2013, and we have been continuously headquartered in San Francisco since our inception.

We originate real estate-secured loans and other loans for retention in our loan portfolio, and historically have originated mortgage loans for sale to institutional investors or for securitization and sale in the secondary market.

We have an established record of meeting the credit needs of the communities where we operate and historically have met our obligations under the Community Reinvestment Act (the "CRA"). In particular, we lend to support community development projects, affordable housing programs and non-profit organizations that help economically disadvantaged individuals and to residents of low- and moderate-income census tracts, in each case consistent with prudent underwriting practices. We also donate to organizations and make investments in our communities that serve small businesses or low-and moderate-income communities or individuals that offer educational and health programs to economically disadvantaged students and families.

We also offer a broad array of internally managed investment services and, through an open architecture model, access to investments managed by unaffiliated advisors. Our wealth management services include a variety of investment strategies and products, trust and custody services, full service and online brokerage, financial and estate planning, access to alternative investments (private equity, venture capital, hedge and real estate funds), socially responsible investing, insurance and foreign exchange. We offer our wealth management

services through First Republic Investment Management, Inc. (“FRIM”). We also offer brokerage services through First Republic Securities Company, LLC (“FRSC”).

We provide trust services through First Republic Trust Company, a division of the Bank, and First Republic Trust Company of Delaware LLC (“FRTC Delaware”) (collectively, the “Trust Company”). The Trust Company had approximately $5.9 billion in assets under administration or management as of December 31, 2013.

We do not engage in proprietary trading or investment banking activities nor do we originate or trade in derivatives for our own account, and we do not have any current plans to engage in any of these activities.

We currently operate our business through two business segments: Commercial Banking and Wealth Management. For segment information, see the information in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Segments” and Note 22 to “Item 8. Financial Statements and Supplementary Data.”

Our Business Strategy

Our core business principles and service-based culture have guided successfully our efforts over the past 28 years. We believe focusing on these principles will enable us to expand our capabilities for providing value-added services to a targeted high net worth client base and generate steady, long-term growth.

Originate High Quality Relationships. We believe that stable long-term growth and profitability are the result of building strong customer relationships one at a time while maintaining superior credit discipline. We remain committed to expanding our business in a disciplined manner. We intend to continue to focus on underwriting and originating high quality loans and expanding our wealth management business in a prudent and disciplined manner. We believe that successfully focusing on these factors will allow us to continue to achieve long-term and profitable expansion within our current markets.

Deliver Superior Client Service. We believe the best way to develop our business is through the continued delivery of superior, carefully coordinated client service without compromising the credit quality of our assets. Our client-focused culture has resulted in the vast majority of our new clients coming to us from “word-of-mouth” referrals from satisfied existing clients. Our employees strive to build deep, long-term relationships with clients and understand their clients’ needs by identifying appropriate financial solutions and coordinating with our banking specialists and wealth management experts to deliver our products and services. We believe that delivering superior client service differentiates us from our competition.

Attract and Retain High Quality Service Professionals. Having successful and high quality service and sales professionals is critical to driving the development of our business and delivering superior financial performance. We have experienced low turnover in our client service personnel and intend to continue hiring and developing professionals who can establish and maintain long-term customer relationships that are the key to our business, brand and culture. We believe our distinct business model, culture, scalable platform and incentive compensation structure enable us to attract and retain high quality service professionals.

Cross-Sell Products and Services. During 2013, we sold an average of 8 products per new loan client, and we intend to continue to cross-sell products and value-added services to future clients. We believe that our brand name, high quality client service and service culture will continue to enable us to broaden our customer relationships and foster continued growth in the products and services we offer them. We typically attract new loan clients with our mortgage loan products and services, providing an opportunity for our relationship managers to cross-sell other products and services to these clients. In addition, we offer our expertise and targeted service offerings for a variety of small and medium-sized businesses and non-profit organizations. We believe that enhancing our cross-selling capabilities will enable us to generate higher revenues, increase our deposits and diversify our income stream.

Grow Our Wealth Management Business. We view our wealth management business as an opportunity for continued growth in fee income. We intend to continue to expand our wealth management business by hiring additional professionals and using our cross-selling expertise to increase our assets under management. We offer integrated investment advisory, trust, brokerage and foreign exchange services, which are an extension of our banking franchise. We believe that our brand name, superior client service and service culture will enable us to expand this business and diversify our fee income stream. As of December 31, 2013, wealth management assets under management or administration were $41.6 billion, a 33% increase compared to December 31, 2012.

Grow Core Deposits. Since 1997, when we converted to full-service banking, we have focused on creating and growing a stable, high quality, less expensive core deposit base. Our ability to grow core deposits has enabled us to reduce our reliance on wholesale funding, thereby resulting in a lower cost and more stable funding base. Core deposits totaled $30.7 billion at December 31, 2013 and represented 96% of total deposits. Our checking and savings deposits have grown at a compounded annual rate of 22% for the past ten years predominantly due to the efforts of our relationship managers, office network, business bankers, Preferred Banking personnel and wealth management professionals. Our Preferred Banking Offices attract and serve individuals who may not need our loan products; we believe our service encourages them to build a full deposit relationship with us, as well as loan and wealth management relationships. Our relationship managers have successfully learned how to offer full deposit products to their loan clients and build long-term, deep relationships. Our business banking is a key source of such deposits and, more recently, we have begun to attract core deposits from our wealth management clients as well.

Deposits

An important aspect of our franchise is the ability to gather deposits. As of December 31, 2013, we held $32.1 billion of total deposits. We have grown deposits at a compounded annual growth rate of 21% over the past five years. Based on the most recent publicly available information, as of December 31, 2013, we were the 39th largest banking organization in the United States measured by total deposits. The following table shows our deposits at the dates indicated:

($ in millions)	Total Deposits
December 31, 2013	$ 32,083
December 31, 2012	$ 27,088
December 31, 2011	$ 22,459
December 31, 2010	$ 19,236
December 31, 2009	$ 17,182
December 26, 2008	$ 12,312
5 year compounded annual growth rate	21%

As of December 31, 2013, our deposit base consisted of $16.2 billion, or 51%, in checking deposits, $12.0 billion, or 37%, in money market checking, savings and passbook deposits, and $3.9 billion, or 12%, in certificates of deposit (“CDs”).

Our deposit base reflects our strategy of cross-selling deposits to loan clients, businesses and non-profit organizations through three primary channels: (1) Preferred Banking Offices (or branches), which are our retail locations that gather deposits and service all of our clients; (2) deposits placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; and (3) deposits swept from brokerage accounts. As of December 31, 2013, we held $11.1 billion of deposits associated with our Preferred Banking Offices and $18.3 billion of deposits associated with our Preferred Banking activities. In addition, we had deposits generated through our sweep programs totaling $2.1 billion at December 31, 2013.

Our Preferred Banking Offices have been a strong source of deposit growth in both established and new locations. Our Preferred Banking Offices are typically located in dense urban areas or supporting suburban areas.

Of our existing offices, over one-third had total deposits over $200 million at December 31, 2013. Overall, deposits in our Preferred Banking Offices grew 16% during 2013. Checking and savings deposits in our Preferred Banking Offices increased 12% during 2013, to 73% of total Preferred Banking Offices deposits. Preferred Banking Offices which have been open for more than two years had average deposits balances of $197 million, representing an 11% increase in 2013. This deposit growth has resulted from client referrals, our general marketing initiatives, the cross-selling of products and the sales and service skills of individual employees. Growth has been distributed among personal and business checking accounts, money market and passbook savings accounts.

Our Preferred Banking business is also a substantial source of deposits. We have 11 Preferred Banking hub centers located in our key markets with specialized personnel that primarily support the clients of our relationship managers, business bankers and wealth management professionals. Deposits associated with our Preferred Banking channel have grown at a compounded annual growth rate of 25% in the last five years.

Our deposit base is also well-diversified geographically and by client type. As of December 31, 2013, 45% of our total deposits came from Northern California, 20% from New York, 14% from Southern California, 11% from Boston, 2% from other regions and 8% from wealth management. As of December 31, 2013, 55% of our total deposits came from consumer clients, compared to 58% at December 31, 2012. As of December 31, 2013, 45% of our total deposits came from business and non-profit clients, compared to 42% at December 31, 2012.

Lending Activities

Products

We offer a broad range of lending products to meet the needs of our clients, including residential mortgage loans and lines of credit, multifamily loans, commercial real estate loans, residential construction loans and small business loans. Our loan portfolio primarily consists of loans secured by single family residences, multifamily buildings and commercial real estate properties. Our strategy is to emphasize the origination of single family mortgage loans and to originate on a selective basis multifamily mortgages, commercial real estate mortgages, construction loans and other loans. We also originate personal loans, business loans and Eagle One loans and lines of credit, which are smaller loans and lines of credit to businesses and individuals, and Eagle Professional loans.

Our strategy includes lending to borrowers who are successful professionals, business executives or entrepreneurs and who are buying or refinancing homes in metropolitan communities, thereby creating the opportunity to cross-sell other products and services. In 2013 our average product penetration for each new loan client was 8 products.

Single Family Residential. As of December 31, 2013, the unpaid principal balance of single family real estate secured loans, including loans held for sale, represented $19.9 billion, or 58%, of our loan portfolio. As of December 31, 2013, these loans had a weighted average loan-to-value ratio (“LTV”) at origination of approximately 60%. Many of our borrowers have high liquidity and substantial net worth. Additionally, we offer specific loan programs for first-time homebuyers and borrowers with low to moderate incomes. Our single family loans are secured by single family detached homes, condominiums, cooperative apartments and two-to-four unit properties. Due to our larger than average loan size ($1.0 million based on outstanding loans at December 31, 2013), the number of single family loans originated by us is relatively small (approximately 10,000 for the year ended December 31, 2013), allowing our relationship managers and the executive loan approval team to carefully underwrite and provide high quality service for each loan. Repeat clients or their direct referrals are the most important source of our loan originations.

Home Equity Lines of Credit (“HELOCs”). We offer HELOCs consisting of loans secured by first or second deeds of trust on primarily owner-occupied primary residences. The majority of these lines are in a secured position behind a first mortgage originated by us or in a first-lien position. As of December 31, 2013, the unpaid

principal balance of HELOCs was $2.0 billion, or 6%, of our total loan portfolio, and the unused remaining balance was $2.6 billion. As of December 31, 2013, the balance of HELOCs which were first deeds of trust on the home was approximately $723.8 million, or 37% of the unpaid principal balance of HELOCs. As of December 31, 2013, the average commitment size of HELOCs was approximately $536,000, and the weighted average combined loan-to-value ratio ("CLTV") including the first residential mortgage, if any, at origination was approximately 55%. Generally, these loans bear interest rates that vary with the prime rate. These lines have a 25-year maturity with interest-only payments for the first 10 years and are fully amortizing over the last 15 years.

Multifamily. As of December 31, 2013, the unpaid principal balance of loans secured by multifamily properties totaled $4.0 billion, or 12% of our total loan portfolio. The loans are predominantly for established buildings in the urban neighborhoods of our markets. The buildings securing our multifamily loans are, generally, seasoned operating properties with proven occupancy, rental rates and expense levels. The neighborhoods tend to be densely populated; the properties are close to employment opportunities; and rent levels are appropriate for the target occupants. Typically, the borrowers are property owners who are experienced at managing these properties. We typically have recourse directly against the borrower on these loans and receive a personal guaranty from the borrower. As of December 31, 2013, the average multifamily mortgage loan commitment size was approximately $2.1 million, and the weighted average LTV at origination was approximately 57%.

Commercial Real Estate. The total unpaid principal balance of commercial real estate loans on December 31, 2013 was $3.4 billion, or 10% of our loan portfolio. Since 1986, we have originated commercial real estate loans, primarily to existing clients. We typically have recourse directly against the borrower on these loans and receive a personal guaranty from the borrower. We are primarily an urban lender. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as office buildings, smaller shopping centers, owner-user office/warehouses, residential hotels, motels, mixed-use residential/commercial and retail properties. At the time of loan closing, the properties are generally completed and occupied. As of December 31, 2013, the average commercial real estate loan commitment size was approximately $2.4 million, and the weighted average LTV at origination was approximately 54%.

Commercial Business. As of December 31, 2013, the unpaid principal balance of business loans was $3.6 billion, or 10%, of total loans outstanding, and we had undisbursed commitments of $3.1 billion. The business loan portfolio is comprised primarily of capital call lines to private equity and venture capital funds, loans to independent schools and other non-profit organizations, operating lines of credit to professionals and professional service firms and term loans to enable business clients to acquire capital equipment.

Since 2004, we have originated smaller lines of credit to businesses and consumers, generally in amounts of up to $250,000. These Eagle One loans are made to meet the capital needs of small businesses and investment needs of individuals. Such loans are either revolving lines of credit or generally 36-month term loans and are adjustable based on the prime rate and are guaranteed by the customer personally. As of December 31, 2013, we had outstanding Eagle One loans and lines of credit of $46.6 million and had undisbursed commitments of $77.4 million.

Construction. Our construction loan portfolio includes loans to individual clients for the construction and ownership of single family homes in our California and New York markets and, to a lesser extent, to construct other types of properties. These loans are typically disbursed as construction progresses, carry interest rates that vary with the prime rate and can be converted into a permanent mortgage loan once the property is occupied. As of December 31, 2013, the unpaid principal balance of construction loans was $568.8 million, or 2% of total loans outstanding. We had undisbursed commitments of $674.5 million related to our construction loan portfolio. As of December 31, 2013, the average construction loan commitment size was approximately $3.3 million, and the weighted average LTV at origination was approximately 55%.

Other Secured. The unpaid principal balance of such loans was $397.9 million, or 1% of total loans outstanding as of December 31, 2013. We had undisbursed commitments of $392.3 million related to other secured loans. These loans include Eagle Professional loans, which offer individuals an ability to borrow for capital and partnership requirements. As of December 31, 2013, we had outstanding Eagle Professional loans of $265.9 million and had undisbursed commitments of $253.4 million.

Stock Secured. As of December 31, 2013, the unpaid principal balance of stock secured loans was $163.7 million, or 0.5% of total loans outstanding. There were additional undisbursed commitments of $230.1 million related to stock secured loans.

Unsecured. Since 1997, we have originated unsecured loans and lines of credit primarily to meet the non-mortgage needs of our existing clients. Such loans generally have a shorter term to maturity, are adjustable with the prime rate or the London Interbank Offered Rate ("LIBOR") and are subject to annual or more frequent review. As of December 31, 2013, the unpaid principal balance of unsecured loans and lines of credit was $202.2 million, or 0.6% of total loans outstanding, and had undisbursed commitments of $352.9 million; included in these balances were Eagle loans made to consumers with outstanding balances of $63.2 million and undisbursed commitments of $82.7 million.

Underwriting

We have developed disciplined underwriting standards that have remained consistent through varying business cycles. We seek to diversify our loans among market areas, loan types and industries. Our underwriting standards include a matrix of approval requirements that vary depending on the size and type of loan and our aggregate exposure to the borrower. The underwriting process is intended to assess the prospective borrower's credit standing, the ability to repay and the value and adequacy of any collateral. To assess the borrower's ability to repay, we analyze the borrower's cash flow, liquidity, credit standing, employment history and overall financial condition. We evaluate our borrowers who choose adjustable-rate loans at a rate that exceeds the initial start rate. This allows us to make a determination as to whether the borrower is able to make higher loan payments in the event that interest rates increase subsequent to origination. We do not originate loans with "teaser" rates. We do not originate single family loans with the characteristics typically described as "subprime" or "high cost," such as loans made to borrowers with little or no cash reserves and poor or limited credit using limited income documentation. Over the past two years, the home loans originated by us had a weighted average credit score of 763. In addition, many of our borrowers have high liquidity and substantial net worth. We underwrite home loans using full documentation.

The median and average attributes of clients who have obtained home loans from us over the last two years are as follows:

	Median	Average
Loan Size	$ 680,000	$ 915,000
LTV	61%	60%
Liquidity	$ 569,000	$ 4.0 million
Net Worth	$ 2.7 million	$13.5 million
Credit Score	775	763

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience. Since our inception in 1985, we have originated $69.6 billion of single family residential loans (including HELOCs) and have experienced cumulative net loan losses of only $32.3 million, or 5 basis points, in 28 years, including losses on loans sold. From 2009 through 2013, net loan losses include charge-offs against the allowance for loan losses and charge-offs recorded as a reduction in unaccreted discounts established in purchase accounting. Our loan charge-off experience on all loan types for the last ten years is presented in the following table:

	Net Charge-Offs (Recoveries)	
($ in millions)	Ratio[1]	Amount
Year ended:		
December 31, 2013	0.05%	$ 14.2
December 31, 2012	0.01%	$ 1.9
December 31, 2011	0.03%	$ 5.2
December 31, 2010	0.09%	$ 16.3
December 31, 2009	0.48%	$ 84.1
December 26, 2008	0.08%	$ 11.9
December 28, 2007	0.01%	$ 0.9
December 31, 2006	(0.06)%	$ (4.4)
December 31, 2005	(0.02)%	$ (0.9)
December 31, 2004	0.01%	$ 0.7

(1) Represents net charge-offs (recoveries) to average loans during each year.

Our charge-off experience was less than 0.5% of average loans at our highest in 2009, and net charge-offs have averaged 9 basis points of average loans outstanding, per year, over the past decade.

Credit Risk Management

Credit risk management involves a partnership between our relationship managers and our credit approval, credit administration and collections personnel. We conduct weekly loan meetings, attended by nearly all of our senior management, relationship managers, related loan production staff and credit administration staff, at which asset quality and delinquencies are reviewed. Our compensation program for our relationship managers has included meaningful clawback provisions since 1986 on all loan originations to encourage our personnel to avoid and monitor for credit delinquency issues, which we believe leads the relationship manager to focus on high quality credit consistent with our strategic focus on asset quality.

In accordance with our procedures, we perform annual reviews of our larger multifamily, commercial real estate and commercial business loans. As part of these review procedures, we analyze recent financial statements of the property and/or borrower to determine the current level of occupancy, revenues and expenses and to investigate any deterioration in the value of the real estate collateral or in the borrower's financial condition. Upon completion, we update the grade assigned to each loan. We maintain a list of loans that receive additional attention if we believe there may be a potential credit risk. Relationship managers are encouraged to bring potential credit issues to the attention of credit administration personnel in a timely manner.

For loans that are downgraded or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status. Additionally, we have an independent, third-party review performed on our loan grades and our credit administration functions each year. The results of the third-party review are presented to the Audit Committee of the board of directors. These asset review procedures provide management with additional information for assessing our asset quality. In addition, for business and personal loans that are not secured by real estate, we perform frequent evaluations and regular monitoring.

Mortgage Banking Activities

Secondary Loan Sales

We have historically and regularly accessed the capital markets to sell into the secondary markets residential and, to a lesser extent, multifamily and commercial real estate loans that we originate. We sell loans on a non-recourse basis to provide funds for additional lending, to manage our asset/liability position and to generate servicing income. Secondary marketing has allowed us to make loans to clients during periods when deposit flows decline and when clients prefer loans with characteristics that we choose not to retain in our loan portfolio.

We transact loan sales through whole loan sales on a flow basis and bulk loan sales. Whole loan sales generally focus on intermediate-term hybrid adjustable-rate mortgage ("ARM") loans and longer-term fixed-rate loans and are typically made to specific investors according to predetermined underwriting standards. We have historically sold whole loans to the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") and various institutional purchasers such as investment banks, real estate investment trusts, mortgage conduits and other financial institutions.

Bulk sales provide an opportunity for us to take advantage of market opportunities for different products and are done either on an auction basis or negotiated with a single investor.

In the past, we sold loans through real estate mortgage investment conduit ("REMIC") securitizations, which allowed us to access the capital markets in a rated structure by issuing bonds and other securities that were collateralized by loans we originated. We have not securitized any loans since 2002.

In 2013, we sold $2.7 billion of single family loans, representing 29% of the single family loans that we originated during the year. In 2012, we sold a total of $2.4 billion of loans, or 28% of 2012 single family originations, and in 2011, we sold a total of $728.7 million of loans, or 13% of 2011 single family originations. The level of loans sales was higher in 2013 and 2012, in part because consumers demanded a greater amount of longer-term fixed rate loans due to low interest rates.

Loan Servicing

We have retained the servicing on substantially all loans sold to institutional investors, thereby generating ongoing servicing revenues and maintaining client relationships. Loan servicing activities include collecting and remitting loan payments, accounting for principal and interest, responding to client inquiries, holding escrow (impound) funds for payment of taxes and insurance, making inspections as required of the mortgaged property, collecting amounts due from delinquent mortgagors, supervising foreclosures in the event of unremedied defaults and generally administering the loans for the investors to whom they have been sold. Management believes that the quality of our loan servicing capability is a factor that permits us to sell our loans in the secondary market.

Our mortgage loan servicing portfolio was $6.0 billion as of December 31, 2013. Approximately 63% of total loans serviced as of December 31, 2013 had outstanding balances greater than $625,500, which is the maximum conforming loan amount for a single family loan. Of the total loans serviced as of December 31, 2013, approximately 85% were fixed or hybrid ARMs with a weighted average contractual rate of 3.83%; adjustable-rate loans had a weighted average contractual rate of 2.14%. When we collect monthly mortgage payments, we retain the servicing fees, ranging generally from 0.25% to 0.375% per annum on the declining principal balances of the loans. The weighted average servicing fee collected was 0.26% for 2013. Our servicing portfolio is reduced by normal amortization and prepayment or liquidation of outstanding loans. Many of the existing servicing programs provide for principal and interest payments to be remitted by us, as servicer, to the investor, whether or not received from the borrower. Upon ultimate collection, including the sale of foreclosed property, we are entitled to recover any such advances plus late charges before paying the investor. We believe our collection and foreclosure procedures comply with all applicable laws and regulations. We currently have a relatively low number of foreclosures and have not needed to suspend any of our foreclosure activities.

Private Wealth Management Activities

A primary focus of our general business strategy has been to expand our capabilities for providing value-added services to a targeted higher net worth client base. We believe these clients have been satisfied with our mortgage loan origination products and services and deposit services, providing an opportunity for our relationship managers to introduce or cross-sell other products and services. Wealth management assets under management or administration were $41.6 billion at December 31, 2013.

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through our subsidiary, FRIM. When appropriate and desired by a client, our advisors use outside managers through an open architecture platform. Assets under management were $21.8 billion as of December 31, 2013.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ investment consultants 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. These investment consultants can also execute transactions for a full array of longer-term equity and fixed income securities. In addition, we offer online services for self-directed brokerage accounts for those clients who choose to transact in this manner. Our online brokerage services allow clients to place orders for equities, mutual funds and options. As of December 31, 2013, approximately $13.9 billion of these assets were held in brokerage or other managed accounts. All brokerage transactions we conduct are cleared by Pershing LLC, a Bank of New York Mellon Company.

Trust Company. First Republic Trust Company, a division of the Bank, operates in California, Oregon, Washington, New York and Massachusetts, and specializes in personal trust activities. FRTC Delaware, which operates in Delaware, opened for business in the first quarter of 2012. First Republic Trust Company and FRTC Delaware draw new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. The Trust Company has gathered $5.9 billion of assets under custody or administration as of December 31, 2013.

Foreign Exchange. We earn fees from transacting foreign exchange business on behalf of our customers. We execute a trade with a customer and offset that foreign exchange trade with another financial institution counterparty. We do not retain significant foreign exchange risk associated with these transactions as the economics of each trade are matched between the customer and counterparty institution. 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.

Information Technology Systems

We devote significant resources to maintain modern, efficient and scalable information technology systems. We outsource most of our processing and services, which allows us to select the best provider in each market niche, reduce our costs by leveraging the vendors' economies of scale and expand our capabilities as needed. We use several different vendors for our core systems so that we are not tied to a single provider and can upgrade systems individually without significant disruption or cost. We are also currently executing several initiatives to enhance our online, mobile banking and ATM services as well as to improve the overall client experience.

We are committed to protecting our clients' data. We closely monitor information security at First Republic and in the financial services sector generally for trends and new threats. We have initiatives to improve the security and privacy of our systems and data. To protect against disasters, we have backup data centers on the west and east coasts.

Competition

We face strong competition in gathering deposits, making real estate secured loans and obtaining client assets for management by investment advisory, trust and brokerage operations. We compete for deposits and

loans by advertising, by offering competitive interest rates and by seeking to provide a higher level of personal service than is generally offered by larger competitors. We generally do not have a dominant market share of the total deposit gathering or lending activities in the areas in which we conduct operations.

Our management believes that our most direct competition for deposits comes from commercial banks, savings and loan associations, credit unions, money market funds and brokerage firms, nationwide and regional banks specializing in preferred banking and service-focused community banks that target the same customers we do. In addition, our cost of funds fluctuates with market interest rates and may be affected by higher rates being offered by other financial institutions. During certain interest rate environments, additional significant competition for deposits may be expected to arise from corporate and government debt securities and money market mutual funds.

Our competition in making loans comes principally from savings and loan associations, mortgage companies, commercial banks, insurance companies and full service brokerage firms, particularly large, nationwide institutions. Many of the nation's largest mortgage companies and commercial banks have a significant number of branch offices in the areas in which we operate. Aggressive pricing policies of our competitors on new ARMs, intermediate-fixed rate and fixed-rate loans, especially during a period of declining mortgage loan originations, have in the past resulted in a decrease in our mortgage loan origination volume and a decrease in the profitability of our loan originations. We compete for loans principally through the quality of service we provide to borrowers, real estate brokers and loan agents, while maintaining competitive interest rates, loan fees and other loan terms.

Our competition in wealth management services comes primarily from commercial banks, trust companies, mutual funds, investment advisory firms, stock brokers and other financial services companies, as well as private equity firms, hedge funds and other alternative investment strategies. Competition is especially keen in our principal markets because numerous well-established and successful investment management firms exist throughout each of the markets in which we operate. We compete for wealth management clients through the scope of products offered, level of investment performance, fees and client service.

Regulatory restrictions on interstate bank branching and acquisitions and on banks providing a broader array of financial services, such as securities underwriting and dealing and insurance, have been reduced or eliminated. The availability of banking services over the Internet and on mobile devices continues to expand. Changes in laws and regulations governing the financial services industry cannot be predicted; however, past legislation has served to intensify our competitive environment.

Employees

As of December 31, 2013, we had 2,388 full-time equivalent employees, including temporary employees and independent contractors. Our management believes that its relations with employees are satisfactory. We are not a party to any collective bargaining agreements.

Supervision and Regulation

Described below are the material elements of selected laws and regulations applicable to us and our subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, results of operations or financial condition or the business, results of operations or financial condition of our subsidiaries.

Overview

We are subject to extensive federal and state banking laws, regulations, and policies that are intended primarily for the protection of depositors, the FDIC's Deposit Insurance Fund (the "DIF"), and the banking

system as a whole; not for the protection of our other creditors and shareholders. We are examined, supervised and regulated by the California Department of Business Oversight's Division of Financial Institutions (the "DFI") and the FDIC as an insured state bank without a holding company and that is not a member of the Federal Reserve System. The statutes enforced by, and regulations and policies of, these agencies affect most aspects of our business, including prescribing permissible types of loans and investments, the amount of required reserves, requirements for branch offices, the permissible scope of our activities and various other requirements. Although we are not a member bank of the Federal Reserve System, we are subject to certain regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), such as those dealing with check clearing activities (Regulation CC), establishment of reserves against deposits (Regulation D), Truth-in-Lending (Regulation Z), Truth-in-Savings (Regulation DD) and Equal Credit Opportunity (Regulation B). Additionally, our offices in states other than California are subject to more limited supervision and regulation by the respective state bank regulators. In addition, certain of our subsidiaries are subject to regulation, supervision and examination by other regulatory authorities, including the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA").

Our deposits are insured by the FDIC to the fullest extent permissible by law. As an insurer of deposits, the FDIC issues regulations, conducts examinations, requires the filing of reports and generally supervises the operations of all institutions to which it provides deposit insurance. In addition, because we are a state non-member bank, the FDIC is also our primary federal regulator. Accordingly, the approval of the FDIC is required for certain transactions in which we may engage, including any merger or consolidation by us, a change in control over us, or the establishment or relocation of any of our branch offices. In reviewing applications seeking approval of such transactions, the FDIC may consider, among other things, the competitive effect and public benefits of the transactions, the capital position and financial and managerial resources and future prospects of the organizations involved in the transaction, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act (see "Community Reinvestment Act and Fair Lending Developments" below) and fair housing laws and the effectiveness of the subject organizations in combating money laundering activities. The FDIC also has the power to prohibit these and other transactions even if approval is not required, and could do so if we have otherwise failed to comply with all laws and regulations applicable to us. We are also subject to supervision, regulation, examination and enforcement by the Consumer Financial Protection Bureau ("CFPB") with respect to consumer protection laws and regulations.

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies. Most recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was enacted in July 2010, significantly restructured the financial regulatory regime in the United States. Provisions of the Dodd-Frank Act that may have a material effect on our business include, among others, repealing the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on corporate transaction and other accounts, and imposing additional underwriting standards on mortgages and restricting so-called "high-cost mortgages," including certain mortgages with prepayment penalties. Many aspects of the Dodd-Frank Act are subject to final rulemaking and will take effect over several years. This rulemaking may result in a significant cost of compliance on our deposit and lending activities.

California Law

California law governs the licensing and regulation of California commercial banks, including organizational and capital requirements, fiduciary powers, investment authority, branch offices and electronic terminals, declaration of dividends, changes of control and mergers, out of state activities, interstate branching and banking, debt offerings, borrowing limits, limits on loans to one obligor, liquidation, sale of shares or options in the Bank to its directors, officers, employees and others, purchase by the Bank of its own shares, and the issuance of capital notes or debentures. The DFI is charged with our supervision and regulation.

Under California law, there is no interest rate limitation on loans. However, for certain types of secured loans, California law imposes minimum collateral requirements. There are certain term and amortization

restrictions on loans secured by real property. We are required to invest our funds as limited by California law and in investments that are legal investments for banks, subject to any limitation under general law. Unsecured loans to one person generally may not exceed 15% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures, and both secured and unsecured loans to one person (excluding certain secured lending and letters of credit) at any given time generally may not exceed 25% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures. Except for limitations on the amount of loans to a single borrower, loans secured by real or personal property may be made to any person without regard to the location or nature of the collateral.

Under California law, the amount a bank generally may borrow may not exceed its shareholders' equity without the consent of the DFI, except for borrowings from the Federal Home Loan Bank and the Federal Reserve Bank.

In addition to remedies available to the FDIC, the Commissioner of the DFI (the "Commissioner") may take possession of a bank if certain conditions exist such as insufficient shareholders' equity, unsafe or unauthorized operations, or violation of law.

In 2010, the DFI granted us a charter to conduct a commercial banking and trust business as a California-chartered institution, and the FDIC approved our applications for deposit insurance, trust powers and consent to purchase the assets and liabilities of the First Republic division of BANA with respect to that new charter. This newly formed banking entity opened for business on July 1, 2010. These regulatory approvals imposed several conditions, many of which are still in effect, including:

- During the first seven years after July 1, 2010, we may not change our executive officers or directors, including by materially changing their respective duties and responsibilities, without providing prior notice to the FDIC, which may object to any such changes.
- We must maintain a Tier 1 leverage ratio of at least 8% throughout the first seven years after July 1, 2010.
- We may not materially deviate from our approved business plan during the first seven years after July 1, 2010 without the FDIC's prior written approval (and the Commissioner's prior written approval if the deviation occurs during the first three years after July 1, 2010), including (i) by offering any new or significantly altered products or services, (ii) any degradation of our borrowers' credit quality or characteristics or (iii) using funding strategies other than those contained in the business plan.
- We must notify the FDIC of any material deviation from our financial projections during the first seven years after July 1, 2010 and must notify the Commissioner of any such deviation during the first three years after July 1, 2010.

Capital Requirements

The federal banking agencies have risk-based capital adequacy guidelines intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations both for transactions reported on the balance sheet as assets and for transactions, such as letters of credit and recourse arrangements, that are recorded as off-balance sheet items. These guidelines are based upon the 1988 capital accord ("Basel I") of the Basel Committee on Banking Supervision (the "Basel Committee"). However, the Basel I-based guidelines will be replaced by the new capital rules that will implement the Basel Committee's "Basel III" framework effective January 1, 2015, as described in the next section. The Basel Committee is a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. Under these guidelines, assets are assigned to one of several risk categories, and nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are multiplied by the risk adjustment percentage for that category, which generally range from 0% for assets with low credit risk, such as certain U.S. government securities, to 200% for assets with relatively higher credit risk.

In determining the capital level that we are required to maintain, the federal banking agencies do not follow accounting principles generally accepted in the United States ("GAAP") in all respects and have special rules that may have the effect of reducing the amount of capital they will recognize for purposes of determining our capital adequacy.

A banking organization's risk-based capital ratios are obtained by dividing its qualifying capital by its total risk-weighted assets and off-balance sheet items. The regulators measure risk-weighted assets and off-balance sheet items against both total qualifying capital (the sum of Tier 1 capital and limited amounts of Tier 2 capital) and Tier 1 capital. Tier 1 capital includes common shareholders' equity capital, qualifying noncumulative perpetual preferred stock and limited amounts of minority interests in certain subsidiaries, less goodwill and certain other intangible assets and other adjustments. Net unrealized losses on available-for-sale equity securities with readily determinable fair value must be deducted in determining Tier 1 capital. For Tier 1 capital purposes, deferred tax assets that can only be realized if an institution earns sufficient taxable income in the future are limited to the amount that the institution is expected to realize within one year or 10% of Tier 1 capital, whichever is less. Tier 2 capital may include a limited amount of the allowance for loan losses, cumulative perpetual preferred stock, long-term preferred stock and other types of preferred stock not qualifying as Tier 1 capital, term subordinated debt and certain other instruments with some characteristics of equity, and net unrealized holding gains on equity securities subject to certain limits. The elements included in Tier 2 capital are subject to certain other requirements and limitations of the federal banking agencies. The federal banking agencies currently require a minimum ratio of qualifying total capital to risk-weighted assets and off-balance sheet items of 8%, and a minimum ratio of Tier 1 capital to risk-weighted assets and off-balance sheet items of 4%. The federal banking agencies also currently require a minimum ratio of Tier 1 capital to average consolidated assets (the "Tier 1 leverage ratio") of 4% for most institutions.

In addition to the uniform risk-based capital guidelines and leverage ratios that apply across the industry, the federal banking regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios. In particular, federal banking agencies generally require newly-formed banking organizations to maintain higher capital ratios for a time following the organization's initial formation. Consequently, the FDIC has required that we maintain a Tier 1 leverage ratio of at least 8% for the first seven years of our existence, or until June 30, 2017.

The FDIC has adopted regulations that mandate consideration of concentrations of credit risk and risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation is part of the institution's regular safety and soundness examination. The FDIC has also adopted regulations requiring consideration of general market risk, including interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance sheet position), in the evaluation of a financial institution's capital adequacy.

New Capital Rules

In July 2013, the FDIC, our primary federal regulator, approved a final rule (the "New Capital Rules") that was issued jointly by the federal banking agencies, which establishes a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee's December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including us, compared to the current U.S. risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel I capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking

agencies' rules. The New Capital Rules are effective for us on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

Among other matters, the New Capital Rules: (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the New Capital Rules, for most banking organizations, including us, the most common form of Additional Tier 1 capital is noncumulative perpetual preferred stock and the most common form of Tier 2 capital is subordinated notes and a portion of the allowance for loan and lease losses, in each case, subject to the New Capital Rules' specific requirements.

Under the New Capital Rules, the following are the initial minimum capital ratios applicable to us as of January 1, 2015:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 leverage ratio.

The New Capital Rules also introduce a new "capital conservation buffer," composed entirely of CET1, on top of these 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 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 will begin on January 1, 2016 at 0.625% and 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, resulting in the following minimum capital ratios:

- 4.5% CET1 to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7%;
- 6.0% Tier 1 capital to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum Tier 1 capital ratio of at least 8.5%;
- 8.0% total capital to risk-weighted assets, plus the capital conservation buffer, effectively resulting in a minimum total capital ratio of at least 10.5%; and
- 4.0% Tier 1 leverage ratio.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that (i) mortgage servicing rights ("MSRs"), (ii) deferred tax assets ("DTAs") arising from temporary differences that could not be realized through net operating loss carrybacks and (iii) significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter).

In addition, under the current capital standards, the effects of accumulated other comprehensive income or loss ("AOCI") items included in shareholders' equity (for example, unrealized gains or losses on securities held in the available-for-sale portfolio) under U.S. GAAP are excluded for the purposes of determining regulatory

capital ratios. Under the New Capital Rules, the effects of certain AOCI items are not excluded; however, non-advanced approaches banking organizations, including the Bank, may make a one-time permanent election to continue to exclude these items. This election must be made concurrently with the first filing of certain of the Bank's periodic regulatory reports in the beginning of 2015. At this time, the Bank expects to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of its available-for-sale securities portfolio.

The New Capital Rules prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes, including certain commercial real estate mortgages.

Additional aspects of the New Capital Rules that are most relevant to us include:

- consistent with the current risk-based capital rules, assigning exposures secured by single family residential properties to either a 50% risk weight for first-lien mortgages that meet prudential underwriting standards or a 100% risk weight category for all other mortgages;
- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%);
- assigning a 150% risk weight to all exposures that are nonaccrual or 90 days or more past due (currently set at 100%), except for those secured by single family residential properties, which will be assigned a 100% risk weight, consistent with the current risk-based capital rules;
- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;
- applying a 250% risk weight to the portion of MSRs and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from CET1 capital (currently set at 100%); and
- the option to use a formula-based approach referred to as the simplified supervisory formula approach to determine the risk weight of various securitization tranches in addition to the current "gross-up" method.

Based on our current interpretation of the New Capital Rules, we believe that the Bank would meet all capital requirements under the New Capital Rules on a fully phased-in basis as if such requirements were effective as of December 31, 2013. Management estimates that our ratio of CET1 to risk-weighted assets (under the fully phased-in New Capital Rules) would be approximately 10.1% at December 31, 2013, reflecting our good faith estimate of the computation of CET1 and our risk-weighted assets under our understanding of the methodologies in the New Capital Rules.

The New Capital Rules do not affect the FDIC's requirement that we maintain a Tier 1 leverage ratio of at least 8% for the first seven years of our existence, or until June 30, 2017.

Newly Proposed Liquidity Requirements

Historically, the regulation and monitoring of bank holding company and bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III liquidity framework requires bank holding companies and banks to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management or supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio ("LCR"), is designed to ensure that a banking entity maintains an adequate level of unencumbered high-quality liquid assets ("HQLA") equal to the entity's expected net cash outflow for a 30-day time horizon under a

liquidity stress scenario. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will likely encourage banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and may increase the use of long-term debt as a funding source.

In October 2013, the federal banking agencies published a notice of proposed rulemaking (the "LCR Proposal") that would create standardized minimum liquidity requirements for internationally active banking organizations (those with over $250 billion in total assets or over $10 billion in on-balance sheet foreign exposure), as well as modified liquidity requirements for bank holding companies and savings and loan holding companies that have more than $50 billion in total assets but are not internationally active banking organizations. The LCR Proposal is generally consistent with the proposed Basel III framework; however, it is more stringent in certain areas and requires an earlier transition period.

For bank holding companies and savings and loan holding companies with more than $50 billion in total assets that are not internationally active banking organizations, the LCR Proposal would require that the LCR be calculated using a 21-calendar day stress scenario and would equal HQLA divided by total net cash outflows during this period. The LCR Proposal would have a phase-in period that would require a minimum LCR ratio of: 80% beginning January 1, 2015, 90% beginning January 1, 2016 and 100% beginning January 1, 2017. The comment period for the LCR Proposal ended in January 2014, but a final rule has not been issued. First Republic is not a bank holding company or savings and holding company and, as of December 31, 2013, had $42.1 billion of total assets; therefore, it is not within the scope of the LCR Proposal as currently drafted. However, it is possible that the federal banking agencies could apply an LCR requirement directly to banks in the future, or that the FDIC could apply an LCR requirement to us as a supervisory matter.

The New Capital Rules and the LCR Proposal do not address the NSFR test called for by the proposed Basel III framework. The Basel III liquidity framework contemplates that the NSFR will be subject to an observation period through mid-2016 and, subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard by January 1, 2018. The federal banking agencies have not proposed rules implementing the final liquidity framework of Basel III and have not determined to what extent they will apply to U.S. banks such as First Republic that are not large, internationally active banking organizations or that do not have holding companies.

Prompt Corrective Action and Other Enforcement Mechanisms

The Federal Deposit Insurance Act, as amended ("FDIA"), requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including those that fall below one or more prescribed minimum capital ratios. The law requires each federal banking agency to promulgate regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

Under the current prompt corrective action provisions of the FDIA, an insured depository institution generally will be classified in the following categories based on the capital measures indicated:

"Well-capitalized"

Tier 1 leverage ratio of 5%,
Tier 1 risk-based capital of 6%,
Total risk-based capital of 10%, and
Not subject to a written agreement, order, capital directive or prompt corrective action directive requiring a specific capital level.

"Adequately capitalized"

Tier 1 leverage ratio of 4%,
Tier 1 risk-based capital of 4%, and
Total risk-based capital of 8%.

"Undercapitalized"

Tier 1 leverage ratio less than 4%,
Tier 1 risk-based capital less than 4%, or
Total risk-based capital less than 8%.

"Significantly undercapitalized"

Tier 1 leverage ratio less than 3%,
Tier 1 risk-based capital less than 3%, or
Total risk-based capital less than 6%.

"Critically undercapitalized"

Tangible equity to total assets less than 2%.

The New Capital Rules revise the current prompt corrective action requirements effective January 1, 2015 by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), with the minimum Tier 1 capital ratio for well-capitalized status being 8%; and (iii) eliminating the current provision that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The New Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

An institution that is classified as "well-capitalized" based on its capital levels may be classified as "adequately capitalized," and an institution that is "adequately capitalized" or "undercapitalized" based upon its capital levels may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also subject a depository institution to capital raising requirements. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

In addition to measures taken under the prompt corrective action provisions, commercial banking organizations may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation, condition imposed in writing by the agency or written agreement with the agency. Enforcement actions may include the issuance of formal and informal agreements, the issuance of a cease-and-desist order that can be judicially enforced, the issuance of directives to increase capital, the imposition of civil money penalties, the issuance of removal and prohibition orders against institution-affiliated parties, the termination of insurance of deposits, the imposition of a conservator or receiver, and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

Safety and Soundness Standards

Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA establish general safety and soundness standards for depository institutions related to internal controls, loan underwriting and documentation, and asset growth. Among other things, the FDIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, and limits the aggregate extensions of credit

by a depository institution to an executive officer, director, principal shareholder or related interest. These standards have not limited our operations in any material way to date.

The federal banking agencies may require an institution to submit to an acceptable compliance plan as well as have the flexibility to pursue other more appropriate or effective courses of action given the specific circumstances and severity of an institution's noncompliance with one or more standards.

Premiums for Deposit Insurance and Assessments

Our deposits are insured, subject to applicable limits, by the FDIC and we are subject to deposit insurance assessments to maintain the DIF. Deposit insurance assessments are based on average total assets, less average tangible equity. For larger institutions, such as First Republic, the FDIC uses a performance score and a loss-severity score to calculate an initial assessment rate. In calculating these scores, the FDIC uses a bank's capital level and supervisory ratings (its CAMELS ratings) and certain financial measures to assess an institution's ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations.

The initial base assessment rate ranges from a minimum of 5 to a maximum of 35 basis points on an annualized basis. After the effect of potential base rate adjustments, the total base assessment rate could range from 2.5 to 45 basis points on an annualized basis.

The FDIA establishes a minimum ratio of deposit insurance reserves in the DIF to estimated insured deposits of 1.15% until September 2020 and 1.35% thereafter. The FDIC has set the long-range, minimum target reserve ratio at 2%. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required.

The FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Consumer Financial Protection Bureau Supervision

The CFPB, created by the Dodd-Frank Act, is directed to prevent unfair, deceptive and abusive practices and ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. The CFPB has authority under the Dodd-Frank Act to enforce and issue rules and regulations implementing existing consumer protection laws and responsibility for all such existing regulations. Depository institutions with assets exceeding $10 billion (such as us), their affiliates, and other "larger participants" in the markets for consumer financial services (as determined by the CFPB) are subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish.

Ability-to-Repay Requirement

The Dodd-Frank Act amended the Truth-in-Lending Act to require that mortgage lenders show that they have verified the borrower's ability to repay a residential mortgage loan (which does not include HELOCs). Borrowers who bring actions within three years of a violation of the ability-to-repay requirement could be entitled to statutory damages equal to the sum of all financing charges and fees. In addition, a borrower can assert a violation of the ability-to-repay requirement in a foreclosure proceeding as a matter of defense by recoupment or setoff against the lender or any assignee of the lender, without time limit. In January 2013, the CFPB issued a final rule establishing the underwriting practices that are required by the ability-to-repay requirement. The rule further provides that lenders of mortgages that meet a "qualified mortgage" standard, however, may have a safe harbor or a presumption of compliance with the requirement.

Qualified mortgages cannot have negative amortization, interest-only payments, or balloon payments, terms over 30 years, or points and fees over certain thresholds. Qualified mortgages also have underwriting requirements that include verification of income, underwriting based on a fully amortizing payment schedule and the maximum interest rate during the first five years, and a 43% debt-to-income ratio. Lenders of qualified mortgages are granted either a safe harbor or a rebuttable presumption of compliance, depending on whether the qualified mortgage is a "higher priced" mortgage as compared to the average rates for comparable transactions. The final rule also prohibits prepayment penalties for residential mortgage loans, except for qualified mortgages that are not higher priced. The qualifying mortgage rule became effective in January 2014.

Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

The Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as us, having at least $1 billion in total assets that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies proposed such regulations in April 2011, but the regulations have not been finalized. If the regulations are adopted in the form initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

In June 2010, the federal banking agencies issued comprehensive guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act, discussed above. The guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The scope and content of the federal banking regulators' policies on incentive compensation are continuing to develop and are likely to continue evolving in the near future.

Community Reinvestment Act and Fair Lending

We are subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations. We are also subject to the CRA. The CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate- income neighborhoods. In addition to substantive penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities. Federal regulators are required to

provide a written examination report of an institution's CRA performance using a four-tiered descriptive rating system. We received a rating of "satisfactory" in our most recent CRA examination. These ratings are available to the public.

Permissible Financial Activities

Insured state non-member banks, including us, are permitted to engage through "financial subsidiaries" in certain activities which have been determined by the Federal Reserve to be financial in nature or incidental to financial activity. To engage in such activities, the bank must be well-managed and the bank and its insured depository institution affiliates must each be well-capitalized and have received at least a "satisfactory" rating in its most recent CRA examination. The bank must also deduct the aggregate amount of its outstanding equity investment in financial subsidiaries, including retained earnings, from the bank's capital and assets for purposes of calculating regulatory capital ratios and must disclose this fact in any published financial statements. Additionally, the bank must comply with Sections 23A and 23B of the Federal Reserve Act, which place quantitative and qualitative limits on transactions with a depository institution's affiliates, including restrictions on extensions of credit to affiliates, and comply with certain financial and operational standards as though the financial subsidiaries were subsidiaries of a national bank.

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds. The statutory provision is commonly called the "Volcker Rule." In December 2013, federal regulators adopted final rules to implement the Volcker Rule. The final rules also require that larger banking institutions, such as First Republic, design and implement compliance programs to ensure adherence to the Volcker Rule's prohibitions. We are continuing to evaluate the effects of the final rules, but we do not currently anticipate that the Volcker Rule will have a material effect on our operations. We will incur costs to adopt additional policies and systems to ensure compliance with the Volcker Rule, but we do not expect such costs to be material.

Financial Privacy

Under federal statutes and FDIC regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies, including the FDIC, have also adopted guidelines for establishing information security standards and programs to protect such information under the supervision of the board of directors.

Anti-Money Laundering, the USA Patriot Act and Office of Foreign Assets Control Regulation

A major focus of governmental policy on financial institutions is combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States.

In addition, the United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others which are administered by the U.S. Treasury Department Office of Foreign Assets Control.

Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing and to prohibit transactions with targets of sanctions, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Restrictions on Dividends and Other Distributions

Under California law, we may not make a distribution to shareholders that exceeds the lesser of (i) our retained earnings or (ii) our net income for the last three fiscal years, less the amount of any distributions made during that period. With the Commissioner's approval, however, we may make a distribution that does not exceed the greater of (i) our retained earnings, (ii) our net income for our last fiscal year or (iii) our net income for our current fiscal year. The Commissioner may otherwise limit our distributions to shareholders if the Commissioner finds that the shareholders' equity is not adequate or that such distributions would be unsafe or unsound for us.

The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions that limit the amount available for such distribution depending upon earnings, financial condition and cash needs of the institution, as well as general business conditions. Insured depository institutions are also prohibited from paying management fees to any controlling persons or, with certain limited exceptions, making capital distributions, including dividends, if after such transaction the institution would be less than adequately capitalized.

The federal banking agencies also have authority to prohibit depository institutions from engaging in business practices that are considered unsafe or unsound, possibly including payment of dividends or other payments under certain circumstances even if such payments are not expressly prohibited by statute.

In October 2012, as required by the Dodd-Frank Act, the FDIC issued final rules regarding bank-run stress testing. The rules will require FDIC-supervised banks with average total consolidated assets greater than $10 billion to conduct an annual company-run stress test of capital, consolidated earnings and losses under one base scenario and at least two stress scenarios provided by the agencies. Implementation of the rules for covered institutions with total consolidated assets between $10 billion and $50 billion, which include us, began in 2013. The company-run stress tests are conducted using data as of September 30 and scenarios released by the agencies. Stress test results must be reported to the agencies by the following March 31, and public disclosure of summary stress test results under the severely adverse scenario will begin in June 2015 for stress tests commencing in 2014. Banks with over $50 billion in total consolidated assets must report their results to the agencies by the following January 5 and publicly disclose the summary results in the following March. It is anticipated that our capital ratios reflected in the stress test calculations will be an important factor considered by the FDIC in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practice.

Change in Bank Control

Under the Change in Bank Control Act (the "CIBCA"), a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire "control" of us. Control is defined as the power, directly or indirectly, to direct our management or policies or to vote 25% or more of any class of our outstanding voting securities. Additionally, a rebuttable presumption of control arises when any person (including a company), or group acting in concert, seeks to acquire 10% or more of any class of our outstanding voting securities and either no other person will hold a greater percentage of that class of voting shares following the acquisition or we are a public company. When reviewing a notice under the CIBCA, the FDIC will take into consideration the financial and managerial resources of the acquirer, the convenience and needs of the communities served by us, the anti-trust effects of the acquisition and other factors. California law similarly requires prior approval of the Commissioner of any change in control. Under the Bank Holding Company Act of 1956, as amended (the "BHCA"), any company would be required to obtain prior approval from the Federal Reserve before it could obtain "control" of us (and thereby become a bank holding company) within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of our voting securities, the ability to control in any manner the election of a majority of our directors or the exercise of a controlling influence over our management and policies. An existing bank holding company would be required to obtain the Federal Reserve's prior approval under the BHCA before acquiring more than 5% of any class of our voting securities.

Other Regulatory Matters

Insured depository institutions with the amount of total assets held by us must undergo a full-scope, on-site examination by their primary federal banking agency at least once every 12 months. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate federal banking agency against each institution or affiliate, as it deems necessary or appropriate.

Regulations require insured depository institutions to adopt written policies establishing appropriate limits and standards, consistent with such guidelines adopted by the federal banking agencies, for extensions of credit secured by real estate or made for purposes of financing permanent improvements to real estate.

The FDIC has also adopted regulations imposing minimum requirements on us with respect to appraisals obtained in connection with certain real estate related financial transactions. Appraisals by state-certified or state-licensed appraisers are required for all such transactions unless an exemption applies. The more common exceptions relate to smaller transactions and transactions that are not secured by real estate. Appraisals must comply with the FDIC's appraisal standards, and appraisal reports must be issued in writing.

Future Legislation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner.

Available Information

We are subject to the information reporting requirements of the Exchange Act, as administered and enforced by the FDIC, and we are subject to FDIC rules promulgated thereunder. Consequently, we file annual, quarterly and current reports, proxy statements and other information with the FDIC, copies of which are made available to the public over the Internet at http://www2.fdic.gov/efr/. You may also inspect and copy any document we file with the FDIC at the public reference facilities maintained by the FDIC at the Accounting and Securities Disclosure Section, Division of Supervision and Consumer Protection, 550 17th Street, N.W., Washington, D.C. 20429.

We make available, free of charge through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are filed with or furnished to the FDIC. Additionally, we have adopted and posted on our website a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. Our website also includes our corporate governance guidelines and the charters for our audit committee, our compensation committee, and our corporate governance and nominating committee. The address for our website is http://www.firstrepublic.com.

You may also request a copy of any of the aforementioned documents at no cost by writing or by telephoning us at the following address or telephone number:

First Republic Bank
111 Pine Street, 2nd Floor
San Francisco, CA 94111
Attention: Investor Relations
(415) 392-1400

Item 1A. Risk Factors.

An investment in our common stock involves a high degree of risk. There are risks, many beyond our control, that could cause our financial condition or results of operations to differ materially from management's expectations. Some of the risks that may affect us are described below. Any of the risks described below, by itself or together with one or more other factors, may adversely affect our business, results of operations or financial condition or the market price or liquidity of our common stock, perhaps materially. The risks presented below are not the only risks that we face. Additional risks that we do not presently know or that we currently deem immaterial may also have an adverse effect on our business, results of operations or financial condition or the market price or liquidity of our common stock. Further, to the extent that any of the information contained herein constitutes forward-looking statements, the risk factors below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any such forward-looking statements. *See "Information Regarding Forward-Looking Statements" on page 4.*

Risks Related to Our Business

We face significant competition to attract and retain banking customers.

We operate in the highly competitive banking industry and face significant competition for customers from other banks and financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings banks, credit unions, non-bank financial services companies and other financial institutions operating within or near the areas we serve, particularly service-focused community banking institutions that target the same customers we do. We also face competition for home loans from large, nationwide banks and for deposits from nationwide and regional banks specializing in private banking. Additionally, we compete with companies that solicit loans and deposits in our principal markets or over the Internet.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. Many of our competitors are also larger and have significantly more resources, greater name recognition and larger market shares than we do, enabling them to maintain more banking locations, mount extensive promotional and advertising campaigns and be more aggressive than us in competing for loans and deposits. We expect competition to continue to intensify due to the continuing consolidation of many financial institutions. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes. Additionally, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate.

In addition, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Our ability to compete successfully will depend on a number of factors, including, among other things:

- Our ability to build and maintain long-term customer relationships while ensuring high ethical standards and safe and sound banking practices;
- The scope, relevance and pricing of products and services offered to meet customer needs and demands;
- Customer satisfaction with our products and services; and
- Industry and general economic trends.

Our failure to perform or weakness in any of these areas could significantly negatively impact our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our business, financial condition or results of operations.

The markets in which we operate are subject to the risk of earthquakes and other natural disasters.

A significant number of our properties, and real properties currently securing loans made by us and our borrowers in general, are located in California. California has had and will continue to have major earthquakes in many areas, including the San Francisco Bay Area, where a significant portion of the collateral and assets of our borrowers are concentrated, and the Southern California coastal regions. Approximately 57% of our loans outstanding as of December 31, 2013 were secured by real estate collateral located in these areas. California is also prone to brush and forest fires and other natural disasters. A number of these properties are uninsured from such occurrences. Borrowers are not required to and may not insure for these hazards other than fire damage. In addition to possibly sustaining damage to our premises and disruption of our operations, if there is a major earthquake, flood, fire or other natural disaster in California or elsewhere in our markets, we will face the risk that many of our borrowers may experience uninsured property losses or sustained job interruption or loss that may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood, fire or other natural disaster in our California markets or our other markets could materially adversely affect our business, results of operations or financial condition.

We are subject to interest rate risk.

Fluctuations in interest rates may negatively impact our banking business. Our primary source of income from operations is net interest income, which is the difference between the interest income received on interest-earning assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the "FOMC") and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven primarily by the FOMC's actions. However, the yields generated by our loans and securities are typically driven by longer-term interest rates, which are set by the market or, at times the FOMC's actions, and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. If the interest rates on our interest-bearing liabilities increase faster than the interest rates on our interest-earning assets, our net interest income may decline and with it, a decline in our earnings may occur. Our net interest income and earnings would be similarly affected if the interest rates on our interest-earning assets declined faster than the interest rates on our interest-bearing liabilities. As a result, our business, results of operations or financial condition may be adversely affected, perhaps materially.

Furthermore, our securities portfolio includes long-term municipal bonds with fixed interest rates. The yields on these bonds do not increase when interest rates rise, however, which would also compress our net interest margin. Furthermore, in a rising rate environment, the price of such securities would likely decline, which may result in unrealized losses for the Bank. Although most of our long-term municipal bonds are held-to-maturity, we would have to recognize such a loss in earnings, which could be material, were we to sell these securities.

As of December 31, 2013, we have remaining loan discounts of approximately $220 million recorded on loans acquired in connection with our purchase from BANA of certain assets and assumption of certain liabilities related to its First Republic division (the "Transaction"). The majority of these loan discounts are accretable to interest income over the contractual lives of each specific loan. The amount of accretion of loan discounts recorded in any given period is primarily driven by the level of repayments on the loan portfolio acquired in the Transaction. The extent to which loan repayments increase or decrease during any given period could have a

significant impact on the level of net interest income and net income we generate during that time. A decrease in the accretion of loan discounts resulting from an increase in interest rates could therefore adversely affect our net interest income, net income or results of operations.

Changes in interest rates can also affect the level of loan refinancing activity, which impacts the amount of prepayment penalty income we receive on loans we hold. Because prepayment penalties are recorded as interest income when received, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time. A decrease in our prepayment penalty income resulting from an increase in interest rates or as a result of regulatory limitations on our ability to charge prepayment penalties in the future could therefore adversely affect our net interest income, net income or results of operations.

Changes in interest rates can also affect the slope of the yield curve. A decline in the current yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net income and cash flows, as well as the value of our assets. An inverted yield curve may also adversely affect the yield on investment securities by increasing the prepayment risk of any securities purchased at a premium.

An increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to make payments under their current adjustable-rate loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to the allowance for loan losses, which may materially and adversely affect our business, results of operations or financial condition.

Prolonged lower interest rates may adversely affect our net income.

Prolonged lower interest rates, particularly medium and longer-term rates, may have an adverse impact on the composition of our earning assets, our net interest margin, our net interest income and our net income. Among other things, a period of prolonged lower rates may cause prepayments to increase as our clients seek to refinance existing home loans. Such an increase in prepayments and refinancing activity would likely result in a decrease in the weighted average yield of our earning assets, an increase in salary and bonus expense as a result of higher loan volume and an increase in provision expense for new loans added to the portfolio. Such an increase in prepayments would likely cause significant variability in our net interest income as we would be required to record the accretion of any remaining, unaccreted discount at the time loans which were acquired in the Transaction are repaid.

Our operations are concentrated geographically in California, particularly San Francisco, and the Northeastern United States, and poor economic conditions in these areas could adversely affect the demand for our products and our credit quality.

Our operations are located primarily in Northern and Southern California and the New York City and Boston metropolitan areas. Local economic conditions in these areas can have a significant impact on the demand for our products and services, our loans and wealth management business, the ability of borrowers to repay these loans, and the value of the collateral securing these loans. Adverse changes in economic conditions in these markets may negatively affect our business, results of operations or financial condition. Our loan portfolio, in particular, is concentrated in California in general and the San Francisco Bay Area in particular. As of December 31, 2013, approximately 58% of our loans outstanding were secured by real estate located in California and approximately 41% of our loans outstanding were secured by real estate in and around the San Francisco Bay Area. Declines in values in the California real estate market could have an adverse impact on some of our borrowers and on the value of the collateral securing many of our loans, which in turn could adversely affect our currently performing loans, leading to future delinquencies or defaults and increases in our provision for loan losses.

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance generally, and in particular, the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer and whose success we rely on to drive our future growth, is highly dependent on the business environment in the markets in which we operate and in the United States as a whole. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation, monetary supply, fluctuations in the debt and equity capital markets, and the strength of the domestic economy and the local economies in the markets in which we operate. Unfavorable market conditions can result in a deterioration of the credit quality of borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, adverse asset values and a reduction in assets under management. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation or interest rates, high unemployment, natural disasters, state or local government insolvency, or a combination of these or other factors.

Overall, economic growth in the United States remains modest and employment remains below pre-recession levels. Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, future tax rates and employment costs is a concern for businesses, consumers and investors in the United States. Any unfavorable change in the general business environment in which we operate, in the United States as a whole or abroad could adversely affect our business, results of operations or financial condition.

We face significant competition to attract and retain wealth management clients and may lose current clients due to account performance, changes in investment strategy or other factors.

We face significant competition to attract and retain wealth management clients primarily from commercial banks, trust companies, mutual funds, investment advisory firms, stock brokers and other financial services companies. We also compete with private equity firms, hedge funds and other alternative investment strategies. Competition is especially keen in our principal markets because numerous well-established and successful investment management firms exist throughout each of the markets in which we operate. Our ability to successfully attract and retain wealth management clients will depend on, among other things, our ability to compete with our competitors' investment products, level of investment performance, fees, client services, marketing and distribution capabilities. In addition, our ability to retain wealth management clients may be impaired by the fact that investment management contracts are typically non-binding in nature. Most of our clients may withdraw funds from accounts under management at their discretion or close accounts at any time for any reason, including the performance of the investment account, a change in the client's investment strategy or other factors. If we cannot effectively compete to attract and retain customers, our business, results of operations or financial condition may be adversely affected.

The profitability of our wealth management business has also come under pressure in the past several years as a result of elevated costs from business investment (including our open architecture platform, which permits our clients to select from both affiliated and unaffiliated money managers, and the addition of investment professionals). Profitability in this area is also a function of the incurrence of legal costs and the management of lower-margin assets, such as sub-advisory, brokerage, money market and custody assets. Further increased costs in our wealth management business could materially and adversely affect our business, results of operations or financial condition.

We must maintain and follow high underwriting standards to grow safely.

Our ability to grow our assets safely depends on maintaining disciplined and prudent underwriting standards and ensuring that our relationship managers and lending personnel follow those standards, particularly for our single family home loans. The weakening of these standards for any reason, such as to seek higher yielding loans, or a lack of discipline or diligence by our employees in underwriting and monitoring loans, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for loan losses, each of which could adversely affect our net income. As a result, our business, results of operations or financial condition could be adversely affected.

Our ability to maintain, attract and retain customer relationships is highly dependent on our reputation.

Our customers rely on us to deliver superior, highly personalized financial services with the highest standards of ethics, performance, professionalism and compliance. A significant source of new customers has been, and we expect will continue to be, the reputation we maintain and the recommendations of satisfied customers. Damage to our reputation could undermine the confidence of our current and potential clients in our ability to provide financial services. Such damage could also impair the confidence of our counterparties and business partners, and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating the various risks described herein, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, client personal information and privacy issues, record-keeping, regulatory investigations and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. Maintaining our reputation also depends on our ability to successfully prevent third-parties from infringing on the "First Republic" brand and associated trademarks. Defense of our reputation and our trademarks, including through litigation, could result in costs adversely affecting our business, results of operations or financial condition.

Our wealth management business may be negatively impacted by changes in economic and market conditions, and clients have sought and may continue to seek legal remedies for investment performance.

Our investment management business may be negatively impacted by changes in general economic and market conditions because the performance of such business is directly affected by conditions in the financial and securities markets.

The financial markets and businesses operating in the securities industry are highly volatile (meaning that performance results can vary greatly within short periods of time) and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond our control. We cannot guarantee that broad market performance will be favorable in the future. Declines in the financial markets or a lack of sustained growth may result in declines in the performance of the investment management business and the level of assets under management.

The management contracts of our investment advisory subsidiary generally provide for fees payable for investment management services based on the market value of assets under management. Because most contracts provide for fees based on market values of securities, fluctuations in securities prices may reduce our investment management fees and have an adverse effect on our business, results of operations or financial condition. Institutional clients tend to be larger than individual clients and therefore institutional investment advisory businesses have concentration risks, are more volatile and may be more susceptible to risk of loss due to performance, either in absolute amount or relative to results of other investment alternatives.

In addition, following periods of volatile market conditions, investment management clients may seek legal remedies for investment performance. We may become involved in lawsuits against our broker-dealer and investment advisory subsidiary arising from clients' investment losses. These types of lawsuits may result in

significant legal expenses or other costs that may not be covered by insurance. We may also face reputational risks with regard to such suits which could impair our ability to effectively compete to attract and retain customers. As a result, any such current or future lawsuits could adversely affect our business, results of operations or financial condition.

Our operations and clients are concentrated in the United States' largest metropolitan areas, which could be the target of terrorist attacks.

The vast majority of our operations and our clients and 88% of the properties securing our real estate loans outstanding are located in the San Francisco Bay Area and the New York City, Los Angeles, and Boston metropolitan areas. These areas have been and may continue to be the target of terrorist attacks. A successful, major terrorist attack in one of these areas could severely disrupt our operations and the ability of our clients to do business with us and cause losses to loans secured by properties in these areas. Such an attack would therefore adversely affect our business, results of operations or financial condition.

Reforms of Fannie Mae and Freddie Mac and the Federal Home Loan Banks could reduce demand for residential mortgage loans, limit our ability to sell residential mortgage loans in the secondary market and affect our funding sources.

The United States Congress may consider reforms to the federal government's involvement in the housing market. Reforms could include reducing the scale of Fannie Mae's and Freddie Mac's secondary purchases of residential mortgage loans or winding down these entities entirely. This could significantly reduce the amount of residential mortgage loans that we can sell in the secondary market, which would limit the amount of loans we can originate and in turn limit our ability to create new relationships and cross-selling opportunities, manage our growth and earn revenue from loan sales and servicing. Reforms could also include cutting back or eliminating the Federal Home Loan Bank system, which could remove a significant source of term funding for our lending activities and likewise limit our ability to originate loans and manage our interest rate risk. Such reforms could also raise interest rates for residential mortgage loans, thereby reducing demand for our primary lending product, and could have an adverse effect on our business, results of operations or financial condition.

The reduction or elimination of the home mortgage interest income tax deduction could reduce demand for our residential mortgage loans.

Under current federal income tax law, homeowners may deduct from their taxable income interest on mortgage loans with a principal amount of up to $1 million secured by first or second homes. The United States Congress may consider reducing the benefit of this deduction, such as by limiting total itemized deductions, allowing deductible expenses to be deducted only at rates less than the highest marginal tax rate, phasing out deductions over specified income thresholds, or eliminating the deduction entirely. Any of these tax law changes would increase the after-tax cost of mortgage loans to home buyers and owners, particularly those with higher incomes, and could therefore reduce demand for residential mortgage loans and depress housing prices. Single family mortgage lending constitutes a majority of our lending business. Our mortgage loan customers, on average, have higher incomes than the customers of many of our competitors. Our most popular mortgage loan product has an initial interest-only period. Any reduction in the benefit of the home mortgage interest deduction could therefore have a disproportionately adverse effect on us compared to other banking institutions and could materially and adversely affect our business, results of operations or financial condition.

The repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.

As of December 31, 2013, we had $8.5 billion of noninterest-bearing business checking accounts and $997.4 million of interest-bearing business checking accounts. The prohibition on depository institutions from paying interest on demand deposits, such as checking accounts, was repealed by the Dodd-Frank Act, effective in

July 2011. We then began offering interest-bearing corporate checking accounts. Current interest rates for this product are very low given the current market conditions and the impact of the repeal so far has not been significant to us. However, we do not know what market rates will eventually be, and we therefore cannot estimate the long-term impact of the repeal at this time to our interest expense on deposits. If we need to offer higher interest on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

Downgrades of the U.S. credit rating could have a material adverse effect on our business, financial condition and liquidity.

In August 2011, Standard & Poor's lowered from AAA to AA+ its long-term sovereign credit rating on the United States of America, its long-term issuer credit rating on the ten Federal Home Loan Banks that had not previously been downgraded and its senior issue ratings on Fannie Mae and Freddie Mac. Standard & Poor's and other ratings agencies have suggested that further downgrades of U.S. credit ratings could occur in the near future. Prices of U.S. Treasury securities and debt securities issued by Fannie Mae, Freddie Mac and other government-sponsored or government-related entities may be adversely affected by past or future credit rating downgrades. Further, the Federal Home Loan Banks, Fannie Mae and Freddie Mac may face higher costs of capital that could reduce their lending and secondary mortgage market activities, respectively, or increase the cost of any future advances which we may borrow from the Federal Home Loan Bank of San Francisco. As a member of the Federal Home Loan Bank of San Francisco, we are required to maintain ownership at least equal to 4.7% of outstanding advances. The investments we currently own that may be impacted by such a downgrade totaled $351.0 million at December 31, 2013, or approximately 1% of our total assets, and represented $108.9 million of mortgage-backed securities ("MBS") issued by government agencies or collateralized by MBS issued by government agencies and $242.1 million of Federal Home Loan Bank stock. See Note 3 to "Item 8. Financial Statements and Supplementary Data" for information on our investment securities. Negative credit rating actions with respect to U.S. government obligations may have unpredictable impacts on financial markets and economic conditions in the United States and abroad, which could in turn have a material adverse effect on our business, results of operations, financial condition or liquidity.

We may not be able to manage our growth successfully.

We tend to grow safely and consistently. This requires us to manage several different elements simultaneously. Successful growth requires that we follow adequate loan underwriting standards, balance loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintain more than adequate capital at all times, raise capital in advance of growth, and hire and retain qualified employees. If we do not manage our growth successfully, then our business, results of operations or financial condition may be adversely affected.

*A small number of our customers control a large portion of our total deposits, and a loss of these customers or deposits more generally could force us to fund our business with more expensive and less stable sources of capital***.**

Over the past five years, our deposits have increased from approximately $12.3 billion as of December 26, 2008 to approximately $32.1 billion as of December 31, 2013. This growth has been driven by several factors, including many investors' desire for safer, more stable investments, such as insured deposits. In addition, a small number of our customers currently control a significant portion of our total deposits, with approximately 1% of our deposit relationships holding approximately 42% of our total deposits as of December 31, 2013. Most of these accounts do not have significant restrictions on withdrawal, and these customers can generally withdraw some or all of the funds in their accounts with little or no notice.

We have traditionally obtained funds principally through deposits and borrowings, with the interest rates paid for borrowings generally fixed and medium to long-term in nature, typically exceeding the interest rates paid on deposits. An outflow of deposits because customers seek investments with higher yields or greater financial stability, prefer to do business with our competitors, or otherwise could force us to rely more heavily on borrowings and other sources of funding to fund our business and meet withdrawal demands, adversely affecting our net interest margin. We may also be forced, as a result of any outflow of deposits, to rely more heavily on equity to fund our business, resulting in greater dilution of our existing shareholders. The current concentration of our total deposits with a small percentage of our customers also implies that the decision by certain of our customers to withdraw some or all of their deposits could result in a significant outflow of deposits and adversely affect our liquidity. Consequently, the occurrence of any of these events could materially and adversely affect our business, results of operations or financial condition.

Our loan portfolio is concentrated in single family residential mortgage loans, including non-conforming, adjustable-rate, initial interest-only period and jumbo mortgages.

As of December 31, 2013, approximately 64% of our loans outstanding are secured by single family residences. As of December 31, 2013, approximately 91% of our residential real estate loans outstanding are ARMs, and 66% of those loans are hybrid ARMs that will adjust within one to ten years in the future. Any increase in prevailing market interest rates may result in increased payments for borrowers who have ARMs. Also, as of December 31, 2013, approximately 85% of our residential real estate loans outstanding are jumbo loans (over $625,500 in size), and approximately 70% are loans with an initial interest-only period of generally ten years. The inability of borrowers to refinance their loans, particularly while experiencing increases in the monthly payment on their loan amounts, increases the risk that borrowers will become delinquent and ultimately default on their loans and could, consequently, adversely affect our business, results of operations or financial condition.

Weakness in the commercial real estate and construction markets could adversely affect our performance.

As of December 31, 2013, commercial real estate loans outstanding represented 10% of our loan portfolio, non-single family construction loans represented 0.8% of our loan portfolio and loans secured by undeveloped land represented 0.1% of our loan portfolio. The valuation of these loans, and the valuation of the underlying commercial real estate or undeveloped land, is more complicated than the valuation of single family mortgage loans. Commercial real estate loans and loans secured by undeveloped land also tend to have shorter maturities than residential mortgage loans and usually are not fully amortizing, meaning that they may have a significant principal balance or “balloon” payments due on maturity. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than noncommercial properties and to the corresponding burdens and costs of compliance with environmental laws and regulations. Also, there may be costs and delays involved in enforcing rights of a property owner against commercial tenants in default under the terms of their leases. For example, tenants may seek the protection of bankruptcy laws, which could result in termination of lease contracts.

The borrower’s ability to repay a commercial real estate loan depends on leasing through the life of the loan or the borrower’s successful operation of a business. Weak economic conditions may impair a borrower’s business operations and typically slows the execution of new leases. Such economic conditions may also lead to greater existing lease turnover. Increased vacancies could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in the fundamentals underlying the stability of the commercial real estate market and result in the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our borrowers to repay the amounts due under their loans. As a result, our business, results of operations or financial condition may be adversely affected.

In the case of construction loans, borrowers face the additional risks that construction may take longer or be more expensive than expected, and that when completed, the value of the property, and therefore rents or sale

proceeds, will be less than expected. Any of these circumstances could significantly impair borrowers' cash flows and their ability to repay the amounts due under their loans, and, as a result, our business, results of operations or financial condition may be adversely affected.

We may not be able to sell loans in the secondary market.

We sell a portion of the single family loans that we originate in the secondary market. If secondary mortgage market conditions were to deteriorate in the future and we cannot sell loans at our desired levels, our loan origination volume may be limited. As a result, our ability to create new relationships and cross-selling opportunities and manage our growth, as well as our revenue from loan sales and servicing, would be limited, and our business, results of operations or financial condition may be adversely affected.

We have increased our lending to businesses, and these loans expose us to greater risk than mortgages.

In the past several years, we have expanded our lending to businesses and have increased the size of individual commercial loans. As of December 31, 2013, commercial loans outstanding were $3.6 billion, or 10% of total loans outstanding, and the undisbursed loan commitments for commercial loans amounted to an additional $3.1 billion. Commercial loans inherently have more risk of loss than real estate secured loans, in part because commercial loans may be larger or more complex to underwrite than mortgages. We are not as experienced in originating and administering commercial loans as we are with single family, multifamily and commercial real estate secured loans. If a decline in economic conditions or other issues cause difficulties for our business borrowers or we fail to evaluate the credit of the loan accurately when we underwrite the loan, it could result in delinquencies or defaults and a material adverse effect on our business, results of operations or financial condition.

Our financial results depend on management's selection of accounting methods and certain assumptions and estimates.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our financial condition and results. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These accounting policies include the allowance for loan losses, the determination of fair value for financial instruments (such as MSRs), the valuation of goodwill and other intangible assets, and the accounting for income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided, recognize significant impairment on goodwill and other intangible asset balances, or significantly increase our accrued tax liability. Any of these could adversely affect our business, results of operations or financial condition.

Our discount for credit losses and our allowance for loan losses may be inadequate.

Immediately after the completion of the Transaction, we had no allowance for loan losses, as all loans purchased as of July 1, 2010 were recorded at fair value as a result of the purchase. The fair value discount recorded as a reduction to unpaid principal balance has two components: an accretable discount and a

nonaccretable discount. The nonaccretable discount is intended to absorb expected future losses with respect to certain loans considered to be impaired in the acquired loan portfolio, as measured as of July 1, 2010, but may be inadequate to do so. Subsequent decreases to expected principal cash flows on these loans, which may reduce the value of the loans, will result in a charge to the provision for loan losses, causing a decrease in our earnings and an increase in our allowance for loan losses. In addition, if a non-impaired acquired loan experiences credit deterioration, we will be required to provide an allowance at the individual loan level.

We have provided for an allowance for loan losses related to new loans originated after July 1, 2010. Our management periodically determines the allowance for loan losses based on available information, including the quality of the loan portfolio, economic conditions, the value of the underlying collateral and the level of nonaccruing loans. Increases in this allowance will result in an expense for the period reducing our reported net income. If, as a result of general economic conditions, a decrease in asset quality or growth in the loan portfolio, our management determines that additional increases in the allowance for loan losses are necessary, we may incur additional expenses which will reduce our net income, and our business, results of operations or financial condition may be materially and adversely affected.

Although our management will establish an allowance for loan losses it believes is adequate to absorb probable and reasonable estimable losses in our loan portfolio, this allowance may not be adequate. In particular, if an earthquake or other natural disaster were to occur in one of our principal markets or if economic conditions in those markets were to deteriorate unexpectedly, additional loan losses not incorporated in the then-current allowance for loan losses may occur. Losses in excess of the existing allowance for loan losses will reduce our net income and could adversely affect our business, results of operations or financial condition, perhaps materially.

In addition, bank regulatory agencies will periodically review our allowance for the loan losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to adjust our determination of the value for these items. These adjustments could adversely affect our business, results of operations or financial condition.

The value of our securities in our investment portfolio may decline in the future.

As of December 31, 2013, we owned $1.6 billion of securities available for sale, which had gross unrealized losses of $9.4 million, and $3.3 billion of securities in our held-to-maturity portfolio, which had gross unrealized losses of $81.6 million. We analyze our securities on a quarterly basis to determine if an other-than-temporary impairment has occurred. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

We may not be able to attract and retain key personnel.

Our Chairman and Chief Executive Officer and our President each have significant involvement and experience with our operations, having worked with us since First Republic was originally founded in 1985. As a result, the loss of either our Chairman and Chief Executive Officer or our President could have an adverse effect on our business, results of operations or financial condition. Although we have been successful in hiring experienced professionals on our management team, we need to continue to attract and retain senior management and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. Because we specialize in providing relationship-based banking and wealth management services, we need to continue to attract and retain qualified private banking personnel and investment advisors to expand. Competition for such personnel can be intense, and we may not be able to hire or

retain such personnel. The loss of the services of any senior management personnel or relationship managers, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, results of operations or financial condition. Additionally, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits which may reduce our earnings or adversely affect our business, results of operations or financial condition.

We may take actions to maintain client satisfaction that result in losses or reduced earnings.

We may find it necessary to take actions or incur expenses in order to maintain client satisfaction even though we are not required to do so by law. The risk that we will need to take such actions and incur the resulting losses or reductions in earnings is greater in periods when financial markets and the broader economy are performing poorly or are particularly volatile. As a result, such actions may adversely affect our business, financial condition or results of operations, perhaps materially.

We may be adversely affected by the soundness of other financial institutions.

As a result of trading, clearing or other relationships, we have exposure to many different counterparties and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers, dealers and investment banks. Many of these transactions expose us to credit risk in the event of a default by a counterparty. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on our business, results of operations or financial condition.

Any future reductions in our credit ratings may increase our funding costs or impair our ability to effectively compete for business and clients.

The major rating agencies regularly evaluate us and their ratings of our long-term debt based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings. Our ratings remain subject to change at any time, and it is possible that any rating agency will take action to downgrade us in the future.

Any future decrease in our credit ratings by one or more rating agencies could impact our access to the capital markets or short-term funding or increase our financing costs, and thereby adversely affect our financial condition and liquidity. Our clients and counterparties may be sensitive to the risks posed by a ratings downgrade and may terminate their relationships with us, may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict whether client relationships or opportunities for future relationships could be adversely affected by clients who choose to do business with a higher-rated institution. The inability to retain clients or to effectively compete for new business may have a material and adverse effect on our business, results of operations or financial condition.

Additionally, rating agencies have themselves been subject to scrutiny arising from the financial crisis such that the rating agencies may make or may be required to make substantial changes to their ratings policies and practices. Such changes may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

We may be adversely affected by risks associated with completed and potential acquisitions.

We plan to continue to grow our business organically, although, from time to time, we may consider potential acquisition opportunities that we believe complement our activities and have the ability to enhance our profitability. Acquisitions involve numerous risks, including:

- The risk that the acquired business will not perform to our expectations;
- Difficulties, inefficiencies or cost overruns in integrating the personnel, operations, services and products of the acquired business with ours;
- The diversion of management's attention from other aspects of our business;
- Entering geographic and product markets in which we have limited or no direct prior experience;
- The potential loss of key employees; and
- The potential for liabilities and claims arising out of the acquired businesses.

If we were to consider acquisition opportunities, we expect to face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do. Accordingly, attractive acquisition opportunities may not be available. We may not be successful in identifying or completing any future acquisitions, integrating any acquired business into our operations or realizing any projected cost savings or other benefits associated with any such acquisition.

We must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state bank regulatory approvals. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the ratings and compliance history of all institutions involved, the anti-money laundering ("AML") and Bank Secrecy Act ("BSA") compliance history of all institutions involved, CRA examination results and the effect of the transaction on financial stability. The process for obtaining required regulatory approvals has become substantially more difficult as a result of the financial crisis, which could affect our future business.

We could be held responsible for environmental liabilities of properties acquired through foreclosure.

If we are forced to foreclose on a defaulted mortgage loan to recover our investment, we may be subject to environmental liabilities related to the underlying real property. Hazardous substances or wastes, contaminants, pollutants or sources thereof may be discovered on properties during our ownership or after a sale to a third-party. The amount of environmental liability could exceed the value of real property. We could be fully liable for the entire cost of any removal and clean-up on an acquired property. In addition, we may find it difficult or impossible to sell the property before or after any environmental remediation. As a result, our business, results of operations or financial condition may be adversely affected.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend to a significant extent on a number of relationships with third-party service providers. Specifically, we receive core systems processing, essential web hosting and other Internet systems, deposit processing, wire processing and other processing services from third-party service providers. If these third-party service providers experience difficulties or terminate their services and we are unable to replace them with other service providers, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, results of operations or financial condition could be adversely affected, perhaps materially. Even if we are able to replace them, it may be at higher cost to us, which could adversely affect our business, results of operations or financial condition.

Our internal control systems could fail to detect certain events.

We are subject to certain operational risks, including, but not limited to, data processing system failures and errors and client or employee fraud. We maintain a system of internal controls designed to mitigate against such occurrences and maintain insurance coverage for such risks. However, should such an event occur that is not prevented or detected by our internal controls, uninsured or in excess of applicable insurance limits, it could have a significant adverse effect on our business, results of operations or financial condition.

The network and computer systems on which we depend could fail or experience a security breach.

Our computer systems are vulnerable to unforeseen problems. Because we conduct part of our business over the Internet and outsource several critical functions to third-parties, our operations depend on our ability, as well as that of third-party service providers, to protect computer systems and network infrastructure against damage from fire, power loss, telecommunications failure, physical break-ins or similar catastrophic events. Any damage or failure that causes interruptions in operations could have a material adverse effect on our business, results of operations or financial condition.

We also rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our client relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if it does occur, that it will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could adversely affect our business, results of operations or financial condition.

We may be adversely affected by disruptions to our network and computer systems or to those of our service providers as a result of denial-of-service or other cyber attacks.

We may experience disruptions or failures in our computer systems and network infrastructure or in those of our service providers as a result of coordinated denial-of-service or other cyber attacks in the future. Due to the increasing sophistication of such attacks, we may not be able to prevent denial-of-service or other cyber attacks that could compromise our normal business operations, compromise the normal business operations of our customers, or result in the unauthorized use of customers' confidential and proprietary information. The occurrence of any failure, interruption or security breach of network and computer systems resulting from denial-of-service or other cyber attacks could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could adversely affect our business, results of operations or financial condition.

We rely on the accuracy and completeness of information about our clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We may also rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If this information is inaccurate or incomplete, we may be subject to loan losses, regulatory action, reputational harm or other adverse effects on the operation of our business, results of operations or financial condition.

The value of our goodwill and other intangible assets may decline in the future.

As of December 31, 2013, we had $269.1 million of goodwill and other intangible assets, including MSRs. In connection with the purchase of substantially all of the assets of Luminous Capital Holdings, LLC ("Luminous") on December 28, 2012, we recognized customer relationship intangible assets of $42.5 million and goodwill of $81.9 million. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates, a significant and sustained decline in the price of our common stock or the poor performance of an acquired business may require us to take charges in the future related to the impairment of our goodwill and other intangible assets. An increase in the rate at which our borrowers prepay their loans could result in a decline in the value of our MSRs, resulting in a charge for the impairment of those rights. The loss of several of our relationship managers to a competitor may also result in a charge against our goodwill and other intangible assets. If we were to conclude that a future write-down of our goodwill and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our business, results of operations or financial condition.

We are subject to liquidity risk.

We require liquidity to meet our deposit and debt obligations as they come due. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans are concentrated, difficult credit markets or adverse regulatory actions against us. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities on average during 2013 were checking accounts, money market checking and savings deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or sold in the same time frame. Although we have been able to replace maturing deposits and advances historically as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors or those depositors with a high concentration of deposits sought to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

We may take filing positions or follow tax strategies that may be subject to challenge.

The amount of income taxes that we are required to pay on our earnings is based on federal and state legislation and regulations. We provide for current and deferred taxes in our financial statements based on our results of operations, business activity, legal structure and interpretation of tax statutes. We may take filing positions or follow tax strategies that are subject to audit and may be subject to challenge. Our net income may be reduced if a federal, state or local authority assessed charges for taxes that have not been provided for in our consolidated financial statements. Taxing authorities could change applicable tax laws, challenge filing positions or assess taxes and interest charges. If taxing authorities take any of these actions, our business, results of operations or financial condition could be adversely affected, perhaps materially.

Risks Related to the Regulatory Oversight of Our Institution

The banking industry is highly regulated, and legislative or regulatory actions taken now or in the future may have a significant adverse effect on our operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily to protect depositors, the public, the DIF, and the banking system as a whole, not our shareholders. We are subject to the regulation and supervision of the FDIC, the DFI and the CFPB. The banking laws, regulations and policies applicable to us govern matters ranging from the regulation of certain debt obligations, changes in the control of us and the maintenance of adequate capital to the general business operations conducted by us, including permissible types, amounts and terms of loans and investments,

the amount of reserves held against deposits, restrictions on dividends, establishment of new offices and the maximum interest rate that may be charged by law. In addition, certain of our subsidiaries are subject to regulation, supervision and examination by other regulatory authorities, including the SEC and FINRA.

Since the recent financial crisis, financial institutions generally have been subjected to increased scrutiny from regulatory authorities. In addition, recent changes to the legal and regulatory framework governing our operations, including the passage and continued implementation of the Dodd-Frank Act, have significantly revised, and in many cases expanded, the laws and regulations under which we operate. These developments may result in increased costs of doing business, decreased revenues and net income, and may reduce our ability to effectively compete to attract or retain customers. In particular, bank regulators have increased their focus on compliance with consumer protection laws, BSA and AML regulations, and we expect this focus to continue. As a result, we are continuing to enhance our compliance programs, particularly in the areas of BSA and AML. These enhancements, as well as any enhancements in other areas which may be required in the future, will result in incremental professional fees and personnel costs, may limit our ability to offer competitive products to our customers and may distract us from our ongoing business development activities. Notwithstanding our enhancements to these compliance programs, regulators may impose additional requirements on us or require us to take additional actions which could increase our costs, decrease our revenues and/or net income and reduce or restrict our ability to expand and effectively compete.

We are subject to changes in federal and state banking statutes, regulations and governmental policies, or the interpretation or implementation of them. Regulations affecting banks and other financial institutions in particular are undergoing continuous review and frequently change and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us or our subsidiaries. Any changes in federal and state laws, as well as regulations and governmental policies could affect us in substantial and unpredictable ways, including ways that may adversely affect our business, results of operations or financial condition.

In addition, federal and state banking regulators have broad authority to supervise our banking business and that of our subsidiaries, including the authority to prohibit activities that represent unsafe or unsound banking practices or constitute violations of statute, rule, regulation, or administrative order. Failure to appropriately comply with any such laws, regulations or regulatory policies, including the consumer protection laws and BSA and AML requirements described above, could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, results of operations or financial condition.

As a de novo institution, we are subject to restrictions which may adversely affect our ability to compete effectively and optimize shareholders' returns.

We are a de novo, California-chartered, FDIC-supervised depository institution. Therefore, we are subject to heightened capital requirements and many other business limitations imposed by the FDIC for at least the first seven years of our operations. The FDIC and the DFI have also imposed various conditions on their respective approvals for us to operate a commercial banking and trust business as an FDIC-insured, California-chartered institution. These conditions include limitations on our ability to change our executive officers and directors without prior approval and limitations on our ability to materially deviate from, or make a material change to, our business plans as described to the FDIC and DFI as part of the license and insurance application processes. The FDIC and the DFI have complete discretion to determine what constitutes a material deviation or change. We are also subject to a minimum Tier 1 leverage ratio of at least 8% for the first seven years of our operations. This approval requirement limits our ability to adapt quickly to changing market conditions or introduce new products to attract new clients or retain our existing clients. Many of our primary competitors are established institutions and are not subject to similar restrictions. Thus, these limitations on us may adversely affect our loan and deposit growth, ability to attract and retain customers, and, consequently, our business, results of operations or financial condition. For additional information on restrictions imposed on us as a de novo institution, see "Item 1. Business—Supervision and Regulation."

The Dodd-Frank Wall Street Reform and Consumer Protection Act may have a significant adverse effect on our operations.

The Dodd-Frank Act, which was enacted in 2010, contains numerous provisions that affect all banks and bank holding companies. Some of these provisions may result in consequences of increasing our expenses, decreasing our revenues and changing the activities in which we choose to engage.

The Dodd-Frank Act created a new, independent federal agency, the CFPB, which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as debt collectors and consumer reporting agencies. Since its formation, the CFPB has finalized a number of significant rules that could have a significant impact on our business and the financial services industry more generally. Depending on the CFPB's areas of supervisory and future rulemaking focus, it could have an adverse impact on our businesses, increase our compliance costs and potentially delay our response to marketplace changes. This could result in requirements to alter our products and services that would make our products less attractive to consumers and impair our ability to offer them profitably. The impact this new regulatory regime will have on our business is uncertain at this time.

Many aspects of the Dodd Frank Act are subject to final rulemaking and will take effect over several years. This rulemaking may result in a significant cost of compliance on our deposit and lending activities.

We may be forced to invest significant management attention and resources to make any necessary changes related to the Dodd-Frank Act and any regulations promulgated thereunder, which may adversely affect our business, results of operations or financial condition. We cannot predict the specific impact and long-term effects the Dodd-Frank Act and the regulations promulgated thereunder will have on our financial performance, the markets in which we operate and the financial industry more generally.

The ability-to-repay requirement for residential mortgage loans may limit our ability to sell or securitize certain of our mortgage loans and give borrowers potential claims against us.

The Dodd-Frank Act amended the Truth-in-Lending Act to require that mortgage lenders show that they have verified the borrower's ability to repay a residential mortgage loan (which does not include HELOCs). Borrowers could possibly claim statutory damages against us for violations of this requirement. Lenders of mortgages that meet a "qualified mortgage" standard have a safe harbor or a presumption of compliance with the requirement. Under final rules issued by the CFPB in January 2013 that became effective in January 2014, qualified mortgages cannot have negative amortization, interest-only payments, or balloon payments, terms over 30 years, or points and fees over certain thresholds.

Currently, a majority of the non-conforming mortgage loans that we originate have an initial interest-only period of generally ten years, subsequent to which these loans fully and evenly amortize over a period of generally twenty years. Such loans are not "qualified mortgages" under the new standard. Recently, a large institutional mortgage investor has determined that, for an indefinite period of time, it will only purchase qualified mortgages. If additional institutional mortgage investors similarly limit their mortgage purchases, demand for our non-qualifying mortgages in the secondary market may be significantly limited in the future. We do not currently intend to discontinue originating interest-only, non-qualifying mortgages, and we may be liable to borrowers under non-qualifying mortgages for violations of the ability-to-repay requirement. Moreover, we do not yet know how the qualifying mortgage requirements will impact the secondary market for sales or securitizations of such mortgage loans. Demand for our non-qualifying mortgages in the secondary market may therefore decline significantly in the future, which would limit the amount of loans we can originate and in turn limit our ability to create new relationships and cross-selling opportunities, manage our growth and earn revenue from loan sales and servicing, all of which could materially and adversely affect our business, results of operations or financial condition.

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. The FDIC increased the DIF's target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act's elimination of the 1.5% cap on the DIF's reserve ratio. Additional increases in our assessment rate may be required in the future to achieve this targeted reserve ratio. In addition, higher levels of bank failures in recent years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the DIF. In response, the FDIC increased assessment rates on insured institutions, charged a special assessment to all insured institutions as of June 30, 2009, and required banks to prepay three years' worth of premiums on December 30, 2009 to replenish the DIF. If there are additional financial institution failures, we may be required to pay even higher FDIC insurance premiums than the recently increased levels, or the FDIC may charge additional special assessments. Future increases of FDIC insurance premiums or special assessments may adversely affect our business, results of operations or financial condition.

We may soon be subject to more stringent capital requirements.

We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these regulatory capital adequacy guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities.

In particular, the capital requirements applicable to us under the recently adopted New Capital Rules will begin to be phased-in starting in 2015. Once these new rules take effect, we will be required to satisfy additional, more stringent, capital adequacy standards than we have in the past. Additionally, stress testing requirements may have the effect of requiring us to comply with the requirements of the New Capital Rules, or potentially even greater capital requirements, sooner than expected. While we expect to meet the requirements of the New Capital Rules, inclusive of the capital conservation buffer, as phased in by the FDIC, we may fail to do so. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower our return on equity.

We may become subject to more stringent liquidity requirements.

In October 2013, the federal banking agencies published the LCR Proposal, which would create standardized minimum liquidity requirements for internationally active banking organizations (those with over $250 billion in total assets or over $10 billion in on-balance sheet foreign exposure), as well as modified liquidity requirements for bank holding companies and savings and loan holding companies that have more than $50 billion in total assets but are not internationally active banking organizations. For bank holding companies and savings and loan holding companies with more than $50 billion in total assets that are not internationally active banking organizations, the LCR Proposal would require such companies to maintain enough unencumbered high-quality liquid assets to meet the entity's expected net cashflow during a 21-calendar day stress scenario. The LCR Proposal would have a phase-in period beginning on January 1, 2015 and ending on January 1, 2017. First Republic is not a bank holding company or savings and holding company and, as of December 31, 2013, had $42.1 billion of total assets; therefore, it is not within the scope of the LCR Proposal as currently drafted. However, it is possible that the federal banking agencies could apply an LCR requirement directly to banks in the future, or that the FDIC could apply an LCR requirement to us as a supervisory matter.

We are likely to become subject to an LCR requirement or other heightened liquidity requirement in the future. As a result, we could be required to increase our holdings of high-quality liquid assets, such as Federal Reserve balances and U.S. Treasury securities, and increase the use of long-term debt as a funding source.

Increasing our holdings of lower-yielding assets and our use of higher-cost liabilities would reduce our net interest income and could limit our loan and deposit growth and our ability to attract and retain new customers, all of which could adversely affect our business, results of operations and financial conditions.

The investment management business is highly regulated.

The investment management business is highly regulated, primarily at the federal level. One of our subsidiaries, FRIM, is a registered investment advisor under the Investment Advisers Act of 1940, as amended ("Investment Advisers Act"). We may also provide certain investment management services through the First Republic Trust Company division of the Bank, and FRTC Delaware, which are separately regulated. Each subsidiary providing investment management services is subject to fiduciary laws. The Investment Advisers Act imposes numerous obligations on registered investment advisors, including fiduciary, record-keeping, operational and disclosure obligations.

FRIM is also subject to the provisions and regulations of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") to the extent they act as a "fiduciary" under ERISA with respect to certain of its clients. ERISA and the applicable provisions of the federal tax laws impose a number of duties on persons who are fiduciaries under ERISA and prohibit transactions involving the assets of each ERISA plan that is a client, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans.

Our failure or the failure of our subsidiaries that provide investment management services to comply with applicable laws or regulations could result in fines, suspensions of individual employees, or other sanctions, including revocation of such subsidiary's registration as an investment advisor. Any such failure could have an adverse effect on our reputation and could adversely affect our business, financial condition or results of operations.

Risks Related to Our Common Stock

Shares of our common stock are not an insured deposit.

Shares of our common stock are not bank deposits and are not insured or guaranteed by the FDIC or any other government agency. An investment in our common stock has risks, and you may lose your entire investment.

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares of common stock at or above your purchase price, if at all. The market price of our common stock could fluctuate or decline significantly in the future. Some, but certainly not all, of the factors that could negatively affect the price of our common stock, or result in fluctuations in the price or trading volume of our common stock, include:

- Variations in our quarterly operating results or failure to meet the market's earnings expectations;
- Publication of research reports about us or the financial services industry in general;
- The failure of securities analysts to continue coverage of our common stock;
- Additions or departures of our key personnel;
- Adverse market reactions to any indebtedness we may incur or securities we may issue in the future;
- Actions by our shareholders;
- The operating and securities price performance of companies that investors consider to be comparable to us;
- Changes or proposed changes in laws or regulations affecting our business; and
- Actual or potential litigation and governmental investigations.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of the common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

Securities analysts may not continue coverage of our common stock.

The trading market for our common stock will depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may cease to cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. If we are covered by securities analysts, and our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

We may not continue to pay dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for payment. We are not required to pay dividends on our common stock and may reduce or eliminate common stock dividends at any time in the future. This could adversely affect the market price of our common stock. Dividends on our common stock are also subject to bank regulatory limits and possible approval requirements. In addition, we cannot declare or pay dividends on our common stock or redeem or repurchase our common stock for any period for which we have not declared and paid in full dividends on our preferred stock. Further, under the Dodd-Frank Act, we are required to conduct annual stress tests, and if the results of those stress tests are not satisfactory to the FDIC, we could be required to reduce or eliminate our dividends. Our board of directors will continue to evaluate the payment of dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our board of directors deems relevant.

Future sales of our common stock may adversely affect our stock price.

The market price of our common stock may be adversely affected by the sale of a significant quantity of our outstanding common stock (including any securities convertible into or exercisable or exchangeable for common stock), or the perception that such a sale could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise additional capital by selling equity securities in the future at a time and price that we deem appropriate.

Future issuances of equity securities could adversely affect our stock price.

We may issue additional equity securities, or debt securities convertible into or exercisable or exchangeable for equity securities, from time to time to raise additional capital, support growth or to make acquisitions. Further, we expect to issue stock options or other stock awards to retain and motivate our employees, executives and directors. These issuances of securities could dilute the voting and economic interests of our existing shareholders. These issuances or the perception that such issuances may occur could also adversely affect the market price of our common stock.

Our common stock is subordinate to our existing and future indebtedness and preferred stock.

Shares of our common stock are equity interests and do not constitute indebtedness. As such, our common stock ranks junior to all our deposits and indebtedness, and other non-equity claims on us, with respect to assets available to satisfy claims. Additionally, holders of common stock are subject to the prior dividend and liquidation rights of the holders of our Series A, Series B, Series C, Series D and Series E Preferred Stock and any other series of preferred stock we may issue.

Various factors could make a takeover attempt of us more difficult to achieve.

Certain provisions of our organizational documents, in addition to certain federal banking laws and regulations, could make it more difficult for a third-party to acquire us without the consent of our board of directors, even if doing so were perceived to be beneficial to our shareholders. These provisions also make it more difficult to remove our current board of directors or management or to appoint new directors, and also regulate the timing and content of shareholder proposals and nominations, and qualification for service on our board of directors. These provisions could effectively inhibit a non-negotiated merger or other business combination, which could adversely impact the value of our common stock.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our management believes that our current and planned facilities are adequate for our current level of operations. Our principal executive offices are at 111 Pine Street, 2nd Floor, San Francisco, California 94111. As of December 31, 2013, we provided our services through 66 Preferred Banking Offices in the following metropolitan areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, New York City, Boston, Palm Beach (Florida) and Portland (Oregon). In January 2014, we opened an additional Preferred Banking Office in downtown San Diego. We have 7 additional offices that offer exclusively lending, wealth management or trust services. All of our properties, except for one Preferred Banking Office, are leased with terms expiring at dates ranging from 2014 to 2030, although most of the leases contain options to extend beyond these dates.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Bank's common stock is listed on the New York Stock Exchange under the symbol "FRC." The following table shows the high and low intraday sales price per share of common stock for the periods indicated:

	Share Prices	
	Low	High
2013		
Quarter Ended:		
December 31	$ 45.58	$ 52.94
September 30	$ 38.07	$ 47.50
June 30	$ 36.43	$ 40.31
March 31	$ 32.84	$ 38.75
2012		
Quarter Ended:		
December 31	$ 31.42	$ 35.14
September 30	$ 31.81	$ 34.89
June 30	$ 29.21	$ 34.10
March 31	$ 29.47	$ 33.68

As of February 14, 2014, there were less than 50 shareholders of record, although the Bank believes that its shares are held beneficially by approximately 90,000 shareholders.

Common Stock Dividends

The following table presents cash dividends per share of our common stock declared and paid by the Bank for the periods indicated:

	2013	2012
Quarter Ended:		
December 31	$ 0.12	$ 0.20
September 30	$ 0.12	$ 0.10
June 30	$ 0.12	$ —
March 31	$ —	$ —

We declared a dividend of $0.10 per share of common stock in December 2012 and accelerated its payment into December instead of paying the dividend in the first quarter of 2013. As a result, no dividend was paid in the first quarter of 2013.

We also paid a dividend of $0.12 per share of common stock on February 14, 2014 to shareholders of record as of January 31, 2014.

For information on dividend restrictions, refer to "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" and "Item 1A. Risk Factors—Risks Related to Our Common Stock—We may not continue to pay dividends on our common stock."

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2013, regarding the 2010 Omnibus Award Plan and the Employee Stock Purchase Plan under which shares of common stock of First Republic Bank are authorized for issuance:

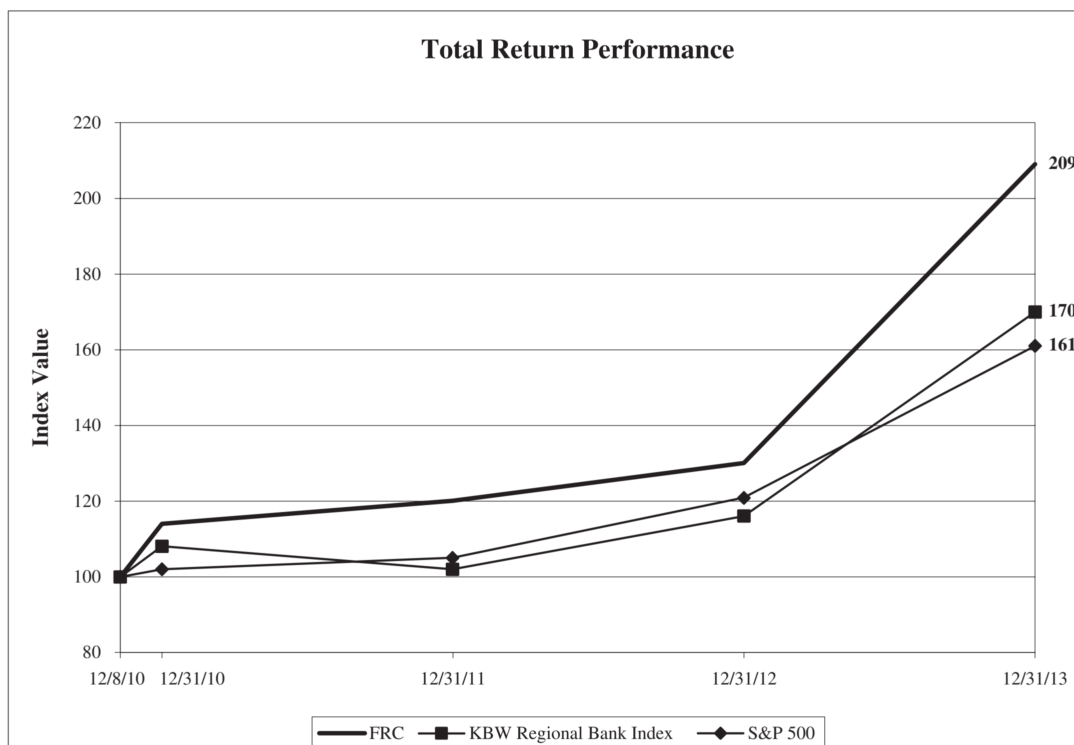
Plan Category	Number of Shares to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	9,110,901	$15.36	3,460,131 [1]
Equity compensation plans not approved by security holders	—	—	—
Total	9,110,901	$15.36	3,460,131

[1] The number of shares remaining available for future issuance consists of 1,837,594 shares reserved for future purchase under the Bank's Employee Stock Purchase Plan and 1,622,537 shares reserved for future awards under the Bank's 2010 Omnibus Award Plan.

See Note 16 to "Item 8. Financial Statements and Supplementary Data" for information on our 2010 Omnibus Award Plan and Employee Stock Purchase Plan.

Performance Graph

The common stock of First Republic Bank began trading following its initial public offering ("IPO"), which priced on December 8, 2010. The following graph compares, for the period from December 8, 2010 through December 31, 2013, the cumulative shareholder return (change in the stock price plus reinvested dividends) on the common stock of First Republic Bank beginning with the IPO price of $25.50 with the cumulative return of the (i) KBW Regional Bank Index and (ii) Standard and Poor's 500 ("S&P 500") Index:



The performance period reflected below assumes that $100 was invested in our common stock at the IPO price of $25.50 and each of the indexes listed below at their closing prices on December 8, 2010. The performance of our common stock reflected below is not indicative of our future performance.

	Cumulative Return				
Index:	December 8, 2010	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
First Republic Bank ("FRC")	100	114	120	130	209
KBW Regional Bank Index	100	108	102	116	170
S&P 500 Index	100	102	105	121	161

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2013, we sold 13,684 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $639,000. 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.

Also during the quarter ended December 31, 2013, we granted 34,500 restricted stock units with an aggregate grant date fair value of $1.7 million. These awards vest over time provided certain performance criteria are achieved. 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.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the fourth quarter of 2013 or at any time since our inception on July 1, 2010.

Item 6. Selected Financial Data.

The following table presents selected financial and other data for us as of the dates and for the periods indicated. The balance sheet and results of operations data have been derived from our audited financial statements.

The financial statements as of and for the years ended December 31, 2013, 2012, 2011 and the six months ended December 31, 2010 have been audited by KPMG LLP, which is an independent registered public accounting firm. The financial statements for the six months ended June 30, 2010 and the year ended December 31, 2009 have been audited by PricewaterhouseCoopers LLP, which is also an independent registered public accounting firm.

Certain of the information presented below under the captions "Selected Ratios," "Selected Asset Quality Ratios" and "Capital Ratios" is unaudited. The selected financial and other data is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

The financial statements as of and for the six months ended June 30, 2010, and as of and for the year ended December 31, 2009 were prepared on a historical carve-out basis, the purpose of which is to present fairly the financial position, results of operations and cash flows of the First Republic division of MLFSB and BANA ("Predecessor") separately from the financial position, results of operations and cash flows of MLFSB and BANA as legal entities. The selected financial data from these historical carve-out financial statements may not necessarily reflect the results of operations or financial position that we would have achieved had we actually operated as a stand-alone entity during the periods presented.

We were acquired by Merrill Lynch on September 21, 2007, Merrill Lynch was then acquired by Bank of America on January 1, 2009 and we were re-established as an independent, California-chartered commercial bank on July 1, 2010. As a result of these acquisitions, our balance sheet, results of operations and several key operating metrics were affected by purchase accounting. We have presented certain information in the table below on a non-GAAP basis. We believe these non-GAAP ratios, when taken together with the corresponding ratios calculated in accordance with GAAP, provide meaningful supplemental information regarding our performance over the past several years. Reconciliations for all non-GAAP measures included in the selected financial data table below are provided in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Use of Non-GAAP Financial Measures."

($ in millions, except per share amounts)	As of or for the Year Ended			As of or for the Six Months Ended		As of or for the Year Ended
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	June 30, 2010 [1]	December 31, 2009 [1]
Selected Financial Data: [2]						
Interest income	$ 1,356	$ 1,287	$ 1,183	$ 547	$ 509	$ 1,214
Interest expense	132	114	118	54	96	258
Net interest income	1,224	1,173	1,065	493	413	956
Provision for loan losses	37	63	52	19	17	49
Net interest income after provision for loan losses	1,187	1,110	1,013	474	396	907
Noninterest income	244	169	118	46	49	116
Noninterest expense [3]	768	677	567	277	217	417
Net income [3]	462	401	354	143	129	347
Dividends on preferred stock and other	$ 41	$ 32	—	—	—	—
Net income available to common shareholders [3]	$ 421	$ 369	$ 354	$ 143	$ 129	$ 347
Selected Ratios:						
Basic earnings per common share (“EPS”) [3]	$ 3.21	$ 2.84	$ 2.75	$ 1.15	n/a	n/a
Diluted EPS [3]	$ 3.10	$ 2.75	$ 2.67	$ 1.13	n/a	n/a
Diluted EPS (non-GAAP) [3], [4]	$ 2.65	$ 2.14	$ 1.70	$ 0.71	n/a	n/a
Net income to average assets [3], [5]	1.20%	1.28%	1.40%	1.29%	1.33%	1.85%
Net income available to common shareholders to average common equity [3], [5]	13.50%	13.48%	15.13%	14.46%	21.03%	28.56%
Average total equity to average total assets [3]	9.87%	9.79%	9.57%	9.34%	6.81%	7.00%
Dividends per common share	$ 0.36	$ 0.30	$ —	$ —	n/a	n/a
Dividend payout ratio	11.6%	10.9%	—	—	n/a	n/a
Book value per common share	$ 24.63	$ 22.10	$ 19.48	$ 16.60	n/a	n/a
Tangible book value per common share	$ 22.83	$ 20.07	$ 18.25	$ 15.19	n/a	n/a
Net interest margin [5]	3.62%	4.22%	4.63%	4.72%	4.47%	5.40%
Net interest margin (non-GAAP) [4], [5]	3.26%	3.53%	3.53%	3.41%	3.90%	3.55%
Efficiency ratio [3], [6]	52.3%	50.5%	47.9%	51.3%	46.9%	38.9%
Efficiency ratio (non-GAAP) [3], [4], [6]	55.8%	56.8%	58.1%	58.6%	52.1%	55.4%
Selected Balance Sheet Data:						
Total assets [3]	$42,113	$34,389	$27,795	$22,378	$19,512	$19,941
Cash and cash equivalents	808	602	631	1,528	436	179
Investment securities	4,824	3,537	2,824	1,093	4	3
Loans						
Unpaid principal balance	34,199	28,299	22,819	19,228	18,027	19,452
Net unaccreted discount	(220)	(332)	(494)	(678)	(674)	(817)
Net deferred fees and costs	22	20	10	1	1	(2)
Allowance for loan losses	(153)	(130)	(68)	(19)	(14)	(45)
Loans, net	33,848	27,857	22,267	18,532	17,340	18,588
Goodwill and other intangible assets	239	265	159	182	—	—
Deposits	32,083	27,088	22,459	19,236	17,779	17,182
Federal Home Loan Bank (“FHLB”) advances	5,150	3,225	2,200	600	130	131
Subordinated notes	—	—	66	68	66	66
Noncontrolling interests	—	—	77	87	100	100
Total equity [3]	$ 4,160	$ 3,400	$ 2,598	$ 2,225	$ 1,366	$ 1,396
Other Financial Information:						
Wealth management assets	$41,578	$31,290	$20,155	$16,580	$14,427	$13,888
Loans serviced for others	$ 6,000	$ 4,581	$ 3,381	$ 3,781	$ 3,737	$ 3,999
Selected Asset Quality Ratios:						
Nonperforming assets to total assets [3]	0.14%	0.14%	0.11%	0.08%	0.09%	1.36%
Nonperforming assets to loans and REO	0.17%	0.18%	0.13%	0.10%	0.11%	1.45%
Allowance for loan losses to total loans	0.45%	0.46%	0.30%	0.10%	0.08%	0.24%
Allowance for loan losses to nonperforming loans	281%	264%	258%	103%	79%	18%
Net charge-offs to average loans [5]	0.05%	0.01%	0.02%	0.00%	0.11%	0.03%
Capital Ratios:						
Tier 1 leverage ratio [3]	9.19%	9.33%	8.82%	9.25%	7.03%	7.15%
Tier 1 common equity ratio [3], [7]	10.30%	11.14%	12.85%	13.77%	9.65%	8.71%
Tier 1 risk-based capital ratio [3]	13.34%	13.28%	13.27%	14.38%	10.41%	9.38%
Total risk-based capital ratio [3]	13.89%	13.87%	13.66%	14.62%	10.71%	9.86%

(1) Represents the Predecessor's period.

(2) Our results of operations are affected significantly by purchase accounting loan discount accretion, liability premium amortization and amortization of intangible assets and, in 2012, the redemption of the FRPCC Series D preferred stock, due to the $13.2 million difference between the liquidation preference and the carrying value established in purchase accounting. Our results of operations for the six months ended December 31, 2010 were impacted by divestiture costs associated with our re-establishment as an independent institution on July 1, 2010 and initial public offering-related costs. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Prior period amounts and ratios have been adjusted to reflect the adoption of the amended FASB standard ASC 323-740 for low income housing tax credit investments. See Note 2 to "Item 8. Financial Statements and Supplementary Data" for further discussion.

(4) For a reconciliation of each ratio to its equivalent GAAP ratio, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Use of Non-GAAP Financial Measures."

(5) For periods less than a year, ratios are annualized.

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

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The discussion of our results of operations for the past three fiscal years that follows should be read in conjunction with our financial statements and related notes thereto presented elsewhere in our Annual Report on Form 10-K. In addition to historical information, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Refer to "Information Regarding Forward-Looking Statements" on page 4. For a more complete discussion of the factors that could affect our future results, see "Item 1A. Risk Factors."

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 advisory, 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.

Key Factors Affecting Our Business and Financial Statements

Tax Credit Investments

We invest in low income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits.

As of and for the year ended December 31, 2013, we adopted the amendments to Accounting Standards Codification ("ASC") 323-740 "Investments—Equity Method and Joint Ventures—Income Taxes." We have adjusted our prior period financial statements to apply the proportional amortization methodology in accounting for these investments. The change in amortization methodology resulted in relatively minor changes to the amount of amortization recognized in prior periods, which impacted the balance of tax credit investments and related current and deferred tax items on the balance sheets. In accordance with ASC 323-740, the tax credit investment amortization expense is now presented as a component of provision for income taxes. Previously, the amortization expense was included as noninterest expense. This change resulted in lower noninterest expense, increased income tax expense and an increased effective tax rate, but did not alter the amount of income taxes actually paid by the Bank. For further discussion, see Note 2 and Note 19 to "Item 8. Financial Statements and Supplementary Data."

Interest Rates

Net interest income is our largest source of income and is the difference between the interest income on interest-earning assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the contractual yield on such assets and the contractual cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the FOMC and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven primarily by the FOMC's actions. However, the yields generated by our loans and

securities are typically driven by short-term and longer-term interest rates, which are set by the market, or, at times by the FOMC's actions, and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. Currently, short-term and long-term interest rates are very low by historical standards, with many benchmark rates, such as the federal funds rate and one- and three-month LIBOR, near zero. Further declines in the yield curve or a decline in longer-term yields relative to short-term yields (a flatter yield curve) would have an adverse impact on our net interest margin and net interest income.

See "Item 1A. Risk Factors—We are subject to interest rate risk" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Purchase Accounting Accretion and Amortization

As of July 1, 2010, we recorded discounts on loans of $763.3 million and premiums on CDs of $137.2 million, which are being accreted to net interest income over the lives of the related loans and deposits. The following table presents the remaining balances of the loans and deposits that were impacted by purchase accounting and the remaining purchase accounting amounts at the dates indicated:

($ in thousands)	December 31, 2013	December 31, 2012
Assets:		
Acquired loans (unpaid principal balance)	$ 6,334,444	$ 8,928,201
Purchase accounting discount	(219,650)	(331,709)
Total	$ 6,114,794	$ 8,596,492
Liabilities:		
Acquired CDs	$ 412,997	$ 694,495
Purchase accounting premium	7,358	19,255
Total	$ 420,355	$ 713,750

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

($ in thousands)	Year Ended December 31, 2013	2012	2011
Accretion/amortization to net interest income:			
Loans	$ 111,682	$ 162,018	$ 184,921
Deposits	11,897	22,239	54,572
Borrowings	—	1,942	2,663
Total	$ 123,579	$ 186,199	$ 242,156
Noninterest income:			
Gain on sale of loans	$ —	$ —	$ 3,827
Loan commitments	—	255	1,472
Total	$ —	$ 255	$ 5,299
Amortization to noninterest expense:			
Intangible assets	$ 18,113	$ 20,472	$ 22,723

Loan discount accretion decreased in 2013 compared to 2012 primarily due to the level of loan prepayments, which were higher in 2012.

Regulatory Matters

As described further under "Item 1. Business—Supervision and Regulation," the Dodd-Frank Act is complex, and many aspects of it are subject to final rulemaking that will take effect over several years. We currently believe that there are two primary areas that may affect us: the repeal of the prohibition on paying interest on demand deposits and certain restrictions on mortgage originations.

As of December 31, 2013, we had $8.5 billion of noninterest-bearing business checking accounts and $997.4 million of interest-bearing business checking accounts. The prohibition on depository institutions from paying interest on demand deposits, such as checking accounts, was repealed effective July 21, 2011. We began offering interest-bearing corporate checking after July 21, 2011. Current interest rates for this product are very low given the current market conditions and the impact of the repeal so far has not been significant to us. However, we do not know what market rates will eventually be, and we therefore cannot estimate the long-term impact of the repeal at this time to our interest expense on deposits. If we need to offer higher interest on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

The Dodd-Frank Act imposes additional underwriting standards on mortgages and restricts so-called "high-cost mortgages." Because of these restrictions, it may become impractical or impermissible for us to continue to originate certain mortgages with prepayment penalties. This may cause our fee income from prepayment penalties to decrease over time as mortgages with prepayment penalties in our loan portfolio repay and cannot be replaced. For 2013, 2012 and 2011, our revenue from prepayment penalties (including on loans serviced for others) was $22.0 million, $19.9 million and $16.1 million, respectively.

We are subject to the New Capital Rules that will take effect on January 1, 2015, as described further under "Item 1. Business—Supervision and Regulation—New Capital Rules."

In the future, we may also become subject to a LCR requirement, as described further under "Item 1. Business—Supervision and Regulation—Newly Proposed Liquidity Requirements."

We are subject to extensive regulation and supervision, which continues to evolve as the legal and regulatory framework governing our operations continues to change. The current operating environment also has heightened regulatory expectations around many regulations including consumer compliance, BSA and AML compliance and increased internal audit activities. As a result of these heightened expectations, we may incur additional costs for additional compliance personnel or professional fees associated with outside consultants.

Financial Highlights

Our total assets were $42.1 billion at December 31, 2013 and $34.4 billion at December 31, 2012, a 22% increase.

At December 31, 2013, loans outstanding, including loans held for sale, were $34.3 billion, a 20% increase compared to $28.5 billion at December 31, 2012. Our single family mortgage loans, including loans held for sale and HELOCs, were $21.9 billion and represented 64% of total loans at December 31, 2013.

Loan origination volume increased to $17.8 billion in 2013, compared to $15.5 billion in 2012 and $10.2 billion in 2011, an increase of 15% in 2013, and 51% in 2012. Loan originations increased due to continued low interest rates, an increased level of home refinances, higher home purchases and the addition of new lending personnel.

Total deposits were $32.1 billion at December 31, 2013, an increase of 18% compared to December 31, 2012. Deposits increased as we continued to acquire new deposit clients, both business and consumer, and expand existing client relationships. Balances in business and personal checking accounts were $16.2 billion, or 51% of total deposits, as we continued to emphasize building banking relationships by opening checking and other transaction deposit accounts. Total checking and savings accounts were 88% of total deposits at December 31, 2013, compared to 89% at December 31, 2012. At December 31, 2013, business deposits were $14.6 billion and represented 45% of total deposits, compared to $11.4 billion, or 42% of total deposits, at December 31, 2012.

Our Tier 1 leverage and total risk-based capital ratios at December 31, 2013 were 9.19% and 13.89%, respectively. In 2013, our public offerings of 5.50% Noncumulative Perpetual Series D Preferred Stock ("Series D Preferred Stock") and 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock") increased our Tier 1 capital by approximately $377.9 million, net of issuance costs. We continue to exceed regulatory guidelines for well-capitalized institutions.

Book value per common share was $24.63 at December 31, 2013, an 11% increase during 2013. Tangible book value per common share was $22.83 at December 31, 2013, a 14% increase during 2013.

We declared cash dividends of $0.36 per share of common stock in 2013. We also paid a cash dividend of $0.12 per share on February 14, 2014 to shareholders of record on January 31, 2014. The payment of dividends in 2014 and thereafter will be subject to ongoing regulatory oversight.

Wealth management assets under management or administration increased $10.3 billion, or 33%, to $41.6 billion at December 31, 2013, from $31.3 billion at December 31, 2012. The increase in assets under management was primarily due to net client flow as a result of cross-selling to current bank clients, the hiring of new personnel and the addition of new clients.

Results of Operations—Years Ended December 31, 2013, December 31, 2012 and December 31, 2011

Overview

Net income was $462.1 million in 2013, compared to $401.2 million in 2012 and $354.4 million in 2011, an increase of 15% for 2013. Diluted EPS were $3.10, $2.75 and $2.67 for 2013, 2012 and 2011, respectively. In 2012, the redemption of the First Republic Preferred Capital Corporation ("FRPCC") Series D preferred stock resulted in a one-time reduction to diluted EPS of $0.10 per share.

Net income excluding the impact of purchase accounting (core net income) was $401.4 million in 2013, compared to $305.7 million in 2012 and $225.2 million in 2011, an increase of 31% in 2013. On this non-GAAP basis, and also excluding the one-time FRPCC Series D preferred stock redemption charge in 2012, core diluted EPS were $2.65, $2.14 and $1.70 for 2013, 2012 and 2011, respectively. For a reconciliation of core net income and core diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $429.1 million in 2013, compared to $381.2 million in 2012 and $348.4 million in 2011. The Wealth Management segment had net income of $33.0 million in 2013, compared to net income of $20.0 million in 2012 and net income of $6.0 million in 2011.

Net Interest Income

Net interest income was $1.2 billion in 2013 and 2012, compared to $1.1 billion in 2011, an increase of 4% in 2013 and an increase of 10% in 2012. Included in net interest income were the effects of purchase accounting. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $123.6 million, $186.2 million and $242.2 million in 2013, 2012 and 2011, respectively.

On an average basis, interest-earning assets and interest-bearing liabilities increased 23% in both 2013 and 2012.

The following table presents our yield/rates on interest-earning assets and interest-bearing liabilities and the reconciliation between the net interest margin excluding purchase accounting (core net interest margin) to its equivalent GAAP ratio for the years indicated:

	Year Ended December 31,		
	2013	2012	2011
Interest-earning assets	3.98%	4.61%	5.12%
Interest-bearing liabilities	(0.39)%	(0.41)%	(0.52)%
Net interest margin (GAAP)	3.62%	4.22%	4.63%
Purchase accounting accretion/amortization	(0.36)%	(0.69)%	(1.10)%
Core net interest margin	3.26%	3.53%	3.53%

FIRST REPUBLIC BANK
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 for the years indicated. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans, CDs and other long-term debt include accretion/amortization of purchase accounting discounts/premiums. In addition, the average yields on certain investment securities and loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

	Year Ended December 31,								
	2013			2012			2011		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:									
Cash and cash equivalents	$ 1,199,650	$ 3,001	0.25%	$ 1,022,996	$ 2,644	0.26%	$ 2,038,407	$ 5,275	0.26%
Investment securities:									
Municipal securities [1]	2,851,480	118,217	6.43%	2,343,076	98,731	6.57%	1,449,632	63,186	6.79%
Commercial MBS	561,505	21,579	3.84%	552,906	21,624	3.91%	202,187	7,617	3.77%
Collateralized loan obligations	534,358	7,923	1.48%	17,035	84	0.49%	—	—	—%
Other investment securities [2]	375,429	11,367	3.03%	330,154	3,601	1.09%	264,121	2,375	0.90%
Total investment securities	4,322,772	159,086	5.18%	3,243,171	124,040	5.53%	1,915,940	73,178	5.66%
Loans:									
Residential real estate	19,924,636	698,759	3.51%	16,979,613	702,550	4.14%	13,803,547	672,766	4.87%
Multifamily	3,506,161	152,477	4.35%	2,597,926	135,012	5.20%	2,069,620	138,555	6.69%
Commercial real estate	3,052,055	177,879	5.83%	2,597,929	189,307	7.29%	2,172,251	177,204	8.16%
Construction	472,497	23,138	4.90%	343,529	18,269	5.32%	267,900	18,149	6.77%
Business loans [1]	2,897,765	115,137	4.66%	1,970,092	89,947	5.09%	1,265,578	75,293	6.31%
Other loans	790,379	26,541	3.36%	617,121	25,437	4.12%	351,203	22,537	6.42%
Total loans [3]	30,643,493	1,193,931	3.96%	25,106,210	1,160,522	4.66%	19,930,099	1,104,504	5.57%
Total interest-earning assets	36,165,915	1,356,018	3.98%	29,372,377	1,287,206	4.61%	23,884,446	1,182,957	5.12%
Noninterest-earning assets:									
Noninterest-earning cash	240,043			205,978			182,753		
Goodwill and other intangibles	251,942			151,396			170,206		
Other assets	1,720,385			1,499,592			1,077,807		
Total noninterest-earning assets	2,212,370			1,856,966			1,430,766		
Total Assets	$38,378,285			$31,229,343			$25,315,212		
Liabilities and Equity:									
Deposits:									
Checking	$14,420,567	2,012	0.01%	$11,515,255	1,511	0.01%	$ 7,313,369	2,886	0.04%
Money market checking and savings	11,443,203	22,786	0.20%	9,691,658	18,950	0.20%	8,610,827	33,117	0.38%
CDs [3]	3,447,556	36,019	1.04%	3,398,532	36,520	1.07%	5,087,128	47,265	0.93%
Total deposits	29,311,326	60,817	0.21%	24,605,445	56,981	0.23%	21,011,324	83,268	0.40%
Borrowings:									
Short-term borrowings	402,176	768	0.19%	3,262	8	0.25%	86,852	320	0.37%
Long-term FHLB advances	4,253,562	69,353	1.63%	2,992,760	54,593	1.82%	1,413,425	30,820	2.18%
Other long-term debt [3]	50,709	905	1.79%	105,535	2,604	2.47%	102,430	2,810	2.74%
Total borrowings	4,706,447	71,026	1.51%	3,101,557	57,205	1.84%	1,602,707	33,950	2.12%
Total interest-bearing liabilities	34,017,773	131,843	0.39%	27,707,002	114,186	0.41%	22,614,031	117,218	0.52%
Noninterest-bearing liabilities	571,576			464,605			277,943		
Preferred equity	666,552			290,675			—		
Common equity	3,122,384			2,738,937			2,342,688		
Noncontrolling interests	—			28,124			80,550		
Total Liabilities and Equity	$38,378,285			$31,229,343			$25,315,212		
Net interest spread [4]			3.59%			4.20%			4.60%
Net interest income and net interest margin [5]		$1,224,175	3.62%		$1,173,020	4.22%		$1,065,739	4.63%
Net interest income (tax-equivalent basis)		$1,309,005			$1,239,134			$1,105,703	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [6]		$1,185,426	3.26%		$1,052,935	3.53%		$ 863,547	3.53%

(1) In order to calculate the yield on tax-advantaged investment securities on a tax-equivalent basis, reported interest income was increased by $65.0 million in 2013, $55.3 million in 2012 and $35.2 million in 2011. In order to calculate the yield on tax-advantaged loans on a tax-equivalent basis, reported interest income was increased by $19.8 million in 2013, $10.8 million in 2012 and $4.8 million in 2011.
(2) Includes FHLB stock and securities purchased under agreements to resell.
(3) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/amortization of purchase accounting discounts/premiums.
(4) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(5) Net interest margin is computed by dividing net interest income by total average interest-earning assets.
(6) For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Interest Income

Interest income on loans was $1.2 billion in 2013, compared to $1.2 billion in 2012 and $1.1 billion in 2011, an increase of 3% during 2013 and an increase of 5% during 2012. Included in interest income on loans is loan discount accretion of $111.7 million, $162.0 million and $184.9 million in 2013, 2012 and 2011, respectively. The decrease of discount accretion in 2013 compared to 2012 was primarily the result of a lower level of loan prepayments for loans acquired on July 1, 2010 and a declining balance of loan discounts.

Average loan balances were $30.6 billion for 2013, compared to $25.1 billion for 2012 and $19.9 billion for 2011, an increase of 22% during 2013 and 26% during 2012. The average yield on loans, including the accretion of loan discounts, was 3.96% in 2013, compared to 4.66% in 2012 and 5.57% in 2011, a decrease of 70 basis points during 2013 and a decrease of 91 basis points during 2012. The average contractual yield earned on loans was 3.56% in 2013, compared to 3.95% in 2012 and 4.50% in 2011, a decrease of 39 basis points during 2013 and a decrease of 55 basis points during 2012 due to continued low interest rates.

Interest income on loans included prepayment penalty fees of $19.7 million, $17.9 million and $15.0 million in 2013, 2012 and 2011, respectively. The Dodd-Frank Act imposes additional underwriting standards on mortgages and limits prepayment penalties to only those loans that have a fixed rate for their entire term. Because of these restrictions, it has become impermissible for us to include prepayment penalties on most of the single family mortgages we originate. This will cause our fee income from prepayment penalties to decrease as mortgages with prepayment penalties run off over time.

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, the level of loans held for sale, portfolio mix and the level of nonaccrual loans. At December 31, 2013, our weighted average contractual loan rate was 3.32%, compared to 3.58% at December 31, 2012. For ARMs, the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At December 31, 2013, approximately 36% of our total loans were adjustable-rate or mature within one year, compared to 41% at December 31, 2012. Loan yields are also affected by the proportion of single family loans in our loan portfolio, because single family loans generally earn interest rates that are lower than rates for other types of loans. For 2013, 2012 and 2011, the average balance of single family loans in our loan portfolio (excluding HELOCs) was 50%, 51% and 50%, respectively, of average interest-earning assets.

Interest income on investments includes income earned on short-term investments, investment securities and FHLB stock. Interest income on investments increased to $159.1 million in 2013, compared to $124.0 million in 2012 and $73.2 million in 2011. The increases in 2013 and 2012 are due to the purchases of new investments, as the average balance increased to $4.3 billion in 2013, compared to $3.2 billion in 2012 and $1.9 billion in 2011. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.18% in 2013, compared to

5.53% in 2012 and 5.66% in 2011. The decreases in yield in 2013 and 2012 were primarily the result of an increase in the average balance of collateralized loan obligations and commercial MBS, which earned lower yields than municipal securities.

Interest income on cash equivalents was $3.0 million in 2013, compared to $2.6 million in 2012 and $5.3 million in 2011. The fluctuations were primarily due to higher average cash balances in 2013, compared to 2012, and lower average cash balances in 2012, compared to 2011. The average yield on cash equivalents was 0.25% for 2013 and 0.26% for 2012 and 2011.

Interest Expense

Total interest expense consists of interest expense on deposits, federal funds purchased, FHLB advances and other borrowings. Total interest expense increased to $131.8 million in 2013, from $114.2 million in 2012 and $117.2 million in 2011, an increase of $17.7 million, or 15%, during 2013 and a decrease of $3.0 million, or 3%, during 2012. The increase in 2013 was primarily due to the increase in long-term FHLB advances. Average long-term FHLB advances grew to $4.3 billion in 2013, compared to $3.0 billion in 2012, while the average cost has declined. The decrease in 2012 was primarily the result of the average cost of total interest-bearing liabilities decreasing to 0.41% in 2012, compared to 0.52% in 2011. The decrease in 2012 was partially offset by an increase in average interest-bearing liabilities. Average interest-bearing liabilities increased to $34.0 billion in 2013 from $27.7 billion in 2012 and $22.6 billion in 2011, an increase of 23% during both 2013 and 2012.

Interest expense is also impacted by the amortization of fair value adjustments established in purchase accounting. The amount of purchase accounting amortization included as a reduction of interest expense was $11.9 million in 2013, compared to $24.2 million in 2012 and $57.2 million in 2011. The average contractual cost of total interest-bearing liabilities decreased to 0.42% in 2013 from 0.50% in 2012 and 0.77% in 2011.

Interest expense on deposits was $60.8 million for 2013, compared to $57.0 million in 2012 and $83.3 million in 2011, an increase of $3.8 million, or 7%, during 2013 and a decrease of $26.3 million, or 32%, during 2012. Interest expense on deposits for 2013, 2012 and 2011 was reduced by $11.9 million, $22.2 million and $54.6 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $29.3 billion for 2013, compared to $24.6 billion in 2012 and $21.0 billion in 2011, an increase of 19% during 2013 and 17% during 2012. Average checking account balances comprised 49% of average total deposits for 2013, compared to 47% for 2012 and 35% for 2011. Average money market checking and savings accounts were 39% of average total deposits in 2013 and 2012, compared to 41% in 2011. Average CD balances were 12% of average total deposits in 2013, compared to 14% in 2012 and 24% in 2011. The average cost of deposits, including purchase accounting amortization, decreased 2 basis points to 0.21%, from 0.23% in 2012. The average contractual cost of deposits decreased to 0.25% in 2013, from 0.32% in 2012 and 0.66% in 2011.

At December 31, 2013, the weighted average contractual rate paid on total deposits was 0.23%, up slightly compared to 0.21% at December 31, 2012. The Eleventh District Cost of Funds Index ("COFI") decreased 29 basis points over the same period. At December 31, 2013, our total deposits were $32.1 billion, compared to $27.1 billion at December 31, 2012, an increase of 18%. We will continue to emphasize 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, which are generally higher in cost.

Interest expense on borrowings was $71.0 million in 2013, compared to $57.2 million in 2012, an increase of $13.8 million, or 24%.

At December 31, 2013, long-term FHLB advances outstanding were $5.2 billion, compared to $3.2 billion at December 31, 2012. The weighted average remaining term on long-term FHLB advances was 3.1 years and 3.7 years at December 31, 2013 and 2012, respectively. Interest expense on long-term FHLB advances increased $14.8 million, or 27%, to $69.4 million in 2013, from $54.6 million in 2012. The increase was primarily due to an increase in average long-term FHLB advances of $1.3 billion to $4.3 billion, compared to $3.0 billion in 2012. The average cost of long-term FHLB advances decreased 19 basis points to 1.63%, compared to 1.82% in 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 13% in 2013, compared to 11% in 2012.

Rate and Volume Variances

Net interest income is affected by changes in both volume and interest rates. Volume changes are caused by increases or decreases during the year in the level of average interest-earning assets and average interest-bearing liabilities. Rate changes result from increases or decreases in the yields earned on assets or the rates paid on liabilities. The following table presents for each of the last two years a summary of the changes in interest income and interest expense resulting from changes in the volume of average asset and liability balances and changes in the average yields or rates compared to the preceding year. If significant, the change in interest income or interest expense due to both volume and rate has been prorated between the volume and the rate variances based on the dollar amount of each variance.

	2013 vs. 2012			2012 vs. 2011		
($ in thousands)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Cash and cash equivalents	$ 445	$ (88)	$ 357	$ (2,631)	$ —	$ (2,631)
Investment securities:						
Municipal securities	21,107	(1,621)	19,486	37,754	(2,209)	35,545
Commercial MBS	334	(379)	(45)	13,689	318	14,007
Collateralized loan obligations	5,571	2,268	7,839	42	42	84
Other investment securities	633	7,133	7,766	661	565	1,226
Loans:						
Residential real estate	113,475	(117,266)	(3,791)	142,812	(113,028)	29,784
Multifamily	42,806	(25,341)	17,465	32,096	(35,639)	(3,543)
Commercial real estate	30,622	(42,050)	(11,428)	32,582	(20,479)	12,103
Construction	6,446	(1,577)	4,869	4,633	(4,513)	120
Business loans	38,605	(13,415)	25,190	36,637	(21,983)	14,654
Other loans	6,492	(5,388)	1,104	14,401	(11,501)	2,900
Total increase (decrease)	266,536	(197,724)	68,812	312,676	(208,427)	104,249
Increase (decrease) in interest expense:						
Deposits:						
Checking	501	—	501	1,488	(2,863)	(1,375)
Money market checking and savings	3,836	—	3,836	3,946	(18,113)	(14,167)
CDs	523	(1,024)	(501)	(17,619)	6,874	(10,745)
Short-term borrowings	816	(56)	760	(210)	(102)	(312)
Long-term FHLB advances	21,256	(6,496)	14,760	30,330	(6,557)	23,773
Other long-term debt	(1,078)	(621)	(1,699)	83	(289)	(206)
Total increase (decrease)	25,854	(8,197)	17,657	18,018	(21,050)	(3,032)
Increase (decrease) in net interest income	$240,682	$(189,527)	$ 51,155	$294,658	$(187,377)	$107,281

Provision for Loan Losses

The provision for loan losses was $37.0 million for 2013, compared to $63.4 million for 2012 and $52.3 million for 2011, a decrease of 42% in 2013 and an increase of 21% in 2012. The provision for loan losses is related primarily to the outstanding loans that have been originated since July 1, 2010 and the overall allowance methodology, which considers, among other things, the Bank's asset growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Noninterest income:			
Investment advisory fees	$ 112,121	$ 59,054	$ 47,030
Brokerage and investment fees	11,892	10,682	9,496
Trust fees	9,588	8,715	6,737
Foreign exchange fee income	13,912	11,504	10,235
Deposit fees	18,258	13,994	14,368
Gain on sale of loans	36,290	38,831	6,417
Loan servicing fees, net	7,230	(5,307)	(168)
Loan and related fees	7,515	6,291	4,951
Income from investments in life insurance	24,365	22,186	16,143
Other income	3,179	2,784	2,721
Total noninterest income	$ 244,350	$ 168,734	$ 117,930

Noninterest income was $244.4 million for 2013, compared to $168.7 million for 2012 and $117.9 million for 2011, an increase of 45% in 2013 and 43% in 2012. The increase in 2013 was primarily due to increases in investment advisory fees, net loan servicing fees, deposit fees, foreign exchange fee income and loan and related fees, partially offset by a decline in gain on sale of loans. The increase in 2012 was primarily due to increases in gain on sale of loans, investment advisory fees, income from investments in life insurance and trust fees, partially offset by a decline in net loan servicing fees.

Investment advisory fees. Investment advisory fees were $112.1 million in 2013, $59.1 million in 2012 and $47.0 million in 2011, an increase of $53.1 million, or 90%, in 2013 and an increase of $12.0 million, or 26%, in 2012. Beginning in the first quarter of 2013, the Bank began earning fees from the assets acquired in the Luminous asset purchase. The remainder of the increase in investment advisory fees was due to an increase in assets under management from the addition of assets from new and existing clients and market appreciation. New clients' assets came from the increased cross-selling of investment management services to bank clients, the successful marketing efforts of existing portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. Investment advisory fees vary with the amount of assets managed by our investment advisory subsidiaries 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 assets under management, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $11.9 million in 2013, $10.7 million in 2012 and $9.5 million in 2011, an increase of $1.2 million, or 11%, in 2013 and an increase of $1.2 million, or 12%, in 2012. The increases in 2013 and 2012 were primarily due to increased trading volume and higher balances of assets under administration. The future level of these fees depends on the level and mix of assets under management, conditions in the equity markets and our ability to attract new clients.

Trust fees. Trust fees were $9.6 million in 2013, $8.7 million in 2012 and $6.7 million in 2011, an increase of $0.9 million, or 10%, in 2013 and an increase of $2.0 million, or 29%, in 2012. The increases in 2013 and 2012 were primarily due to the addition of new clients and increases in assets under custody or administration. 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 $13.9 million on foreign exchange business in 2013, compared to $11.5 million in 2012 and $10.2 million in 2011, an increase of 21% in 2013 and 12% in 2012. The increases in foreign exchange fees were primarily driven by volume of activity, the addition of new clients and the addition of new sales personnel.

We execute trades with customers and then offset that foreign exchange trade with another financial institution counterparty, such as a major investment bank or a large commercial bank. We do not retain significant foreign exchange risk associated with these transactions as the trades are matched between the customer and counterparty bank. 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 $18.3 million in 2013, $14.0 million in 2012 and $14.4 million in 2011. The increase in 2013 was primarily due to increased service charges on deposit products and services along with growth in accounts.

Gain on sale of loans. The net gain on the sale of $2.7 billion of loans was $36.3 million, or approximately 136 basis points on the loans sold in 2013, compared to net gains of $38.8 million on loan sales of $2.4 billion, in 2012 and net gains of $6.4 million on loan sales of $728.7 million in 2011. The levels of gain on sales in 2013 and 2012 was primarily due to the result of favorable market conditions and 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.

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 retained), the amortization rate of MSRs and the amount of provisions for, or recovery of, the MSR valuation allowance. The following table presents net loan servicing fees for the years indicated:

	Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Contractually specified servicing fees	$ 14,378	$ 10,375	$ 10,099
Amortization expense	(9,024)	(8,473)	(7,134)
Net reversal of (provisions for) impairment	1,876	(7,209)	(3,133)
Loan servicing fees, net	$ 7,230	$ (5,307)	$ (168)

Contractual servicing fees were $14.4 million in 2013, compared to $10.4 million in 2012 and $10.1 million in 2011. The increase in contractual servicing fees was primarily due to the growth in the servicing portfolio. 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. Weighted average servicing fees collected as a percentage of loans serviced were approximately 0.26% for 2013, compared to 0.27% for 2012 and 2011.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. In 2013, the overall annualized repayment speed experienced on loans serviced was 19%, compared to 27% in 2012 and 23% in 2011. A net reversal of impairment of $1.9 million was recorded for 2013 as a result of lower actual and projected repayments in the servicing portfolio. A provision for impairment of $7.2 million and $3.1 million was recorded in 2012 and 2011, respectively, due to higher actual and projected repayments. 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, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Loan and related fees. Loan and related fee income was $7.5 million in 2013, $6.3 million in 2012 and $5.0 million in 2011, an increase of 19% in 2013 and an increase of 27% in 2012. 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 $2.3 million in 2013, $2.0 million in 2012 and $1.1 million in 2011. The Dodd-Frank Act imposes additional underwriting standards on mortgages and limits prepayment penalties to only those loans that have a fixed rate for their entire term. Because of these restrictions, it has become impermissible for us to include prepayment penalties on most of the single family mortgages we originate. This will cause our fee income from prepayment penalties to decrease as mortgages with prepayment penalties run off over time.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $24.4 million in 2013, $22.2 million in 2012 and $16.1 million in 2011. The increases in 2013 and 2012 were due to additional purchases of bank-owned life insurance. The income on these investments helps to offset the cost of providing employee benefits. The book value of this portfolio of tax-advantaged investments was $766.3 million at December 31, 2013, compared to $701.7 million at December 31, 2012.

Noninterest Expense

The following table presents noninterest expense for the years indicated:

	Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Noninterest expense:			
Salaries and employee benefits	$ 402,222	$ 339,656	$ 275,086
Occupancy	91,120	83,648	67,609
Information systems	79,955	72,508	57,695
FDIC and other deposit assessments	27,976	24,386	23,910
Advertising and marketing	25,459	25,120	28,812
Professional fees	22,488	19,848	16,359
Amortization of intangibles	26,147	20,472	22,723
Other expenses	92,630	91,333	74,494
Total noninterest expense	$ 767,997	$ 676,971	$ 566,688

Noninterest expense was $768.0 million in 2013, compared to $677.0 million in 2012 and $566.7 million in 2011, an increase of 13% in 2013 and 19% in 2012. The increases in noninterest expense in 2013 and 2012 were primarily due to higher salaries and benefits, occupancy, information systems costs, professional fees and other expenses.

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 $78.8 million in 2013, $73.3 million in 2012 and $52.9 million in 2011, an increase of 8% in 2013 and 39% in 2012. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs on our balance sheet and are amortized to interest income over the contractual life of the loans. At December 31, 2013, net deferred loan costs were $21.8 million, compared to $20.0 million at December 31, 2012.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 52.3% in 2013, compared to 50.5% in 2012 and 47.9% in 2011. The efficiency ratio was significantly affected by purchase accounting. Excluding the impact of purchase accounting, the core efficiency ratio was 55.8% in 2013, 56.8% in 2012 and 58.1% in 2011. For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and include 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. Salaries and employee benefit expenses were $402.2 million in 2013, compared to $339.7 million in 2012 and $275.1 million in 2011, an increase of $62.6 million, or 18%, in 2013 and $64.6 million, or 23%, in 2012. The increases were primarily the result of the addition of new personnel to support higher levels of total assets, loan origination and deposit growth, wealth management activities and higher incentive compensation related to the continued expansion of our franchise. At December 31, 2013, we had 2,388 full-time equivalent employees, including temporary employees and independent contractors, a 13% increase from 2,110 at December 31, 2012.

Occupancy. Occupancy costs were $91.1 million in 2013, $83.6 million in 2012 and $67.6 million in 2011, an increase of $7.5 million, or 9%, in 2013 and an increase of $16.0 million, or 24%, in 2012. The increases in occupancy costs in 2013 and 2012 were primarily due to the opening of new Preferred Banking offices, the commencement of rental expense on several future Preferred Banking office locations and expanding our office space in existing markets for new employees. We expect the level of occupancy costs to vary with the number of Preferred Banking offices and the number of employees and to increase as new Preferred Banking offices open.

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 $80.0 million in 2013, $72.5 million in 2012 and $57.7 million in 2011, an increase of $7.4 million, or 10%, in 2013 and an increase of $14.8 million, or 26%, in 2012. The increases in information systems costs in 2013 and 2012 were primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth.

FDIC and other deposit assessments. FDIC and other deposit assessments were $28.0 million in 2013, $24.4 million in 2012 and $23.9 million in 2011, an increase of $3.6 million or 15%, in 2013 and an increase of

$476,000, or 2%, in 2012. The increase in 2013 was primarily due to the increase in our 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 deposit growth in our Preferred Banking offices. Advertising and marketing expenses were $25.5 million in 2013, $25.1 million in 2012 and $28.8 million in 2011, an increase of $339,000, or 1%, in 2013 and a decrease of $3.7 million, or 13%, in 2012. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth.

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, accountants and other consultants. Such expenses were $22.5 million in 2013, $19.8 million in 2012 and $16.4 million in 2011, an increase of $2.6 million, or 13%, in 2013 and an increase of $3.5 million, or 21%, in 2012.

Amortization of intangibles. Amortization expense was $26.1 million in 2013, compared to $20.5 million in 2012 and $22.7 million in 2011. Amortization expense increased in 2013 compared to 2012 as beginning in the first quarter of 2013 we began amortizing intangibles established in the Luminous asset purchase at the end of 2012. Amortization expense related to Luminous was $8.0 million for 2013. Amortization expense decreased in 2012 compared to 2011 due to the accelerated method of recording intangible amortization.

Other expenses. Other expenses were $92.6 million in 2013, $91.3 million in 2012 and $74.5 million in 2011, an increase of $1.3 million, or 1%, in 2013 and an increase of $16.8 million, or 23%, in 2012. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanded operations. Other operating expenses include postage, donations, 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 assets under management, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses for the years indicated:

	Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Other expenses:			
Deposit client related costs	$ 20,256	$ 17,117	$ 14,437
Travel and entertainment	12,435	13,833	10,809
Loan related costs	8,534	9,728	5,778
Insurance expense	6,130	5,391	5,219
Subscriptions	4,837	4,931	5,022
Recruiting fees	4,841	6,311	6,473
Provision on loan commitments	500	3,325	3,413
Other operating expenses	35,097	30,697	23,343
Total other expenses	$ 92,630	$ 91,333	$ 74,494

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 effective tax rate for 2013 was 30.4%, compared to 33.0% for 2012 and 36.4% for 2011. The decreases in the effective tax rate are the result of the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

These effective tax rates reflect the adoption of the amended Financial Accounting Standards Board ("FASB") standard ASC 323-740 for low income tax credit investments, which does not alter the amount of income taxes actually paid by the Bank. For further discussion, see Note 2 and Note 19 to "Item 8. Financial Statements and Supplementary Data."

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 FRIM, our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"), as well as the operations of the Trust Company and our foreign exchange activities. FRIM acquired substantially all of the assets of Luminous, an independent wealth advisor, on December 28, 2012 and operating results of Luminous are included in the Wealth Management segment's results subsequent to the acquisition date. The Wealth Management segment's primary sources of revenue are fees earned for the management or administration of clients' assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for managing the Bank's investment portfolio and a deposit earnings credit for deposit accounts that are maintained at the Bank, including sweep deposits. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 23 to "Item 8. Financial Statements and Supplementary Data."

Commercial Banking

Net interest income for Commercial Banking was $1.2 billion for 2013, compared to $1.1 billion for 2012 and $1.0 billion for 2011, an increase of 5% in 2013 and 8% in 2012. The increases in 2013 and 2012 were primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $37.0 million for 2013, compared to $63.4 million for 2012 and $52.3 million for 2011, a decrease of 42% in 2013 and an increase of 21% in 2012. The provision for loan losses is related primarily to the outstanding loans that have been originated since July 1, 2010 and the overall allowance methodology, which considers, among other things, the Bank's asset growth, level and type of loans originated and trends in the Bank's markets.

Noninterest income for Commercial Banking was $95.3 million for 2013, compared to $76.1 million for 2012 and $43.4 million for 2011, an increase of 25% in 2013 and 75% in 2012. The increase in 2013 was primarily due to higher net loan servicing fees and deposit fees. The increase in 2012 was primarily due to higher gain on sale of loans.

Noninterest expense for Commercial Banking was $633.5 million in 2013, compared to $572.7 million in 2012 and $479.1 million in 2011, an increase of 11% in 2013 and 20% in 2012. The increases in 2013 and 2012 were primarily due to increased salaries and benefits, occupancy costs and information system expenses.

Wealth Management

Net interest income for Wealth Management was $42.2 million in 2013, compared to $46.7 million in 2012 and $23.9 million in 2011. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit. These deposits totaled $2.5 billion and $2.6 billion at December 31, 2013 and 2012, respectively. The decrease in net interest income in 2013 was the result of a lower earnings crediting rate, offset by higher average balances.

Noninterest income for Wealth Management was $156.8 million in 2013, compared to $98.6 million in 2012, and $78.4 million in 2011, an increase of 59% in 2013 and 26% in 2012. Fees and other revenues increased in 2013 as a result of an increase in assets under management primarily due to cross-selling to current bank clients, the hiring of new personnel and the addition of new clients. In addition, fees earned in 2013 include fees from assets under management acquired in the Luminous asset purchase.

Noninterest expense for Wealth Management was $142.2 million in 2013, compared to $110.3 million in 2012 and $91.5 million in 2011, an increase of 29% in 2013 and 20% in 2012. The increases in 2013 and 2012 were primarily due to the continued addition of wealth management professionals as we continued to expand our client base capabilities in all markets to grow this segment. In addition, during 2013, we began recognizing compensation costs for employees added from Luminous and commenced amortization of intangibles from the Luminous asset purchase. Each of our Wealth Management entities has the capacity to manage additional assets with the current level of fixed costs.

We evaluate Wealth Management's operating margin, which represents income before the amortization of intangible assets from the Bank's re-establishment as an independent institution and before the provision for income taxes divided by total revenues (net interest income and noninterest income). The following table presents the operating margin for Wealth Management for the years indicated:

	December 31,		
	2013	2012	2011
Operating Margin	31%	29%	17%

Assets under management or administration in the Wealth Management segment, in aggregate, were $41.6 billion at December 31, 2013, an increase of 33% compared to December 31, 2012. Assets under management at December 31, 2012 include assets acquired from Luminous of approximately $5.9 billion. The following table presents the assets under management or administration by the entities comprising our Wealth Management segment at the dates indicated:

	December 31,		
($ in millions)	2013	2012	2011
First Republic Investment Management	$ 21,812	$ 17,000	$ 7,940
Brokerage and Investment:			
Brokerage	12,933	8,810	6,806
Money Market Mutual Funds	941	852	1,037
Total Brokerage and Investment	13,874	9,662	7,843
Trust Company:			
Trust	3,013	2,157	1,963
Custody [1]	2,879	2,471	2,409
Total Trust Company	5,892	4,628	4,372
Total Wealth Management Assets	$ 41,578	$ 31,290	$ 20,155

[1] Custody assets have been adjusted to exclude safekeeping assets from the Bank's private equity and venture capital clients.

First Republic Trust Company accepts equity securities, primarily nonpublic, for safekeeping from the Bank's private equity and venture capital clients. These securities do not have a readily determinable market value and, after initial boarding, the typical account has limited activity until there is an exit activity (initial public offering or sale) for the underlying company. We provide these services as part of a client relationship and the recurring fees we earn are small and generally fixed. In 2013, the Bank began to collect cost basis or market value information on these securities from the clients, which are generally higher than our prior reporting basis. As a result, these nominal safekeeping amounts have begun to increase and may increase significantly in the future, while ongoing fees are expected to remain modest.

In order to place proper emphasis on our core trust and custody business, we have excluded these safekeeping assets from the custody assets shown above for all dates presented as follows:

	December 31,		
($ in millions)	2013	2012	2011
Safekeeping Assets	$ 6,411	$ 392	$ 232

The following table provides an estimate of the change in assets under management or administration for our Wealth Management segment for the years indicated. Net client flow includes the opening of new accounts or adding to the balance in existing accounts by the depositing of additional funds, 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 or depreciation.

	Year Ended December 31,		
($ in millions)	2013	2012	2011
Assets under management: (1)			
Beginning balance	$ 31,290	$ 20,155	$ 16,830
Net client flow	7,058	4,064	5,674
Market appreciation (depreciation)	3,230	1,180	(2,349)
Luminous transaction	—	5,891	—
Ending balance	$ 41,578	$ 31,290	$ 20,155

(1) Assets under management for all periods have been adjusted to exclude safekeeping assets from the Bank's private equity and venture capital clients.

Investment Advisory 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 assets under management using an open architecture platform. Total investment advisory fees earned were $112.1 million in 2013, compared to $59.1 million in 2012 and $47.0 million in 2011, an increase of 90% in 2013 and 26% in 2012. These increases were the result of an increase in assets under management due to assets acquired from Luminous, the hiring of new personnel, cross-selling to current bank clients, the addition of new clients and market appreciation. Assets under management were $21.8 billion at December 31, 2013, compared to $17.0 billion at December 31, 2012, an increase of 28%. Assets under management at December 31, 2012 include assets acquired from Luminous of approximately $5.9 billion.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ investment consultants 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. These investment

consultants can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $11.9 million in 2013, compared to $10.7 million in 2012 and $9.5 million in 2011, an increase of 11% in 2013 and an increase of 12% in 2012. At December 31, 2013, we held $13.9 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $9.7 billion at December 31, 2012, an increase of 44%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts and Delaware. The Trust Company draws new trust clients from our Preferred Banking and Wealth management client base, as well as from outside of our organization. Total trust fees earned were $9.6 million in 2013, compared to $8.7 million in 2012 and $6.7 million in 2011, an increase of 10% in 2013 and an increase of 29% in 2012. The increase in trust fees was primarily due to the addition of new clients and increased assets under custody or administration. At December 31, 2013, assets under custody or administration were $5.9 billion, compared to $4.6 billion at December 31, 2012, an increase of 27%.

The following table presents fee income as an annualized percentage of average assets under management for our wealth management businesses for the years indicated:

	Year Ended December 31,		
	2013	2012	2011
First Republic Investment Management	0.62%	0.60%[1]	0.63%
Brokerage and Investment:			
Brokerage	0.11%	0.13%	0.14%
Money Market Mutual Funds	0.04%	0.07%	0.08%
Total Brokerage and Investment	0.10%	0.12%	0.13%
Trust Company:			
Trust	0.25%	0.27%	0.24%
Custody [2]	0.12%	0.13%	0.11%
Total Trust Company	0.18%	0.19%	0.17%
Total Wealth Management	0.38%	0.34%	0.34%

(1) Amounts for the year ended December 31, 2012 exclude the impact of the Luminous asset purchase on December 28, 2012.
(2) All periods have been adjusted to exclude safekeeping assets from the Bank's private equity and venture capital clients.

Balance Sheet Analysis

Investments

The following table presents the investment portfolio at the dates indicated:

($ in thousands)	December 31, 2013	2012	2011
Available-for-sale:			
Securities of U.S. states and political subdivisions:			
Taxable municipal securities	$ 47,455	$ 47,459	$ —
Residential agency MBS	108,903	137,386	196,895
Residential non-agency MBS	14,737	17,661	27,909
Commercial MBS	592,875	589,661	495,975
Collateralized loan obligations	805,971	167,500	—
Marketable equity securities	1,265	766	1,501
Total	$1,571,206	$ 960,433	$ 722,280
Held-to-maturity:			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$3,027,132	$2,269,526	$1,812,346
Tax-exempt nonprofit debentures	170,678	221,306	230,906
Taxable municipal securities	53,181	53,222	53,260
Residential non-agency MBS	1,543	1,135	686
Total	$3,252,534	$2,545,189	$2,097,198

The investment securities portfolio represented 11% of total assets at December 31, 2013 and 10% at December 31, 2012 and 2011. The increase in the total portfolio since December 31, 2012 was primarily due to purchases of additional tax-exempt municipal securities and collateralized loan obligations.

At December 31, 2013, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio is well-diversified with an average issuer position of approximately $5.7 million. The tax-exempt nonprofit debentures are securities issued through a state agency where we have a banking relationship with the nonprofit entity. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

FIRST REPUBLIC BANK
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents the remaining contractual principal maturities of debt securities and contractual yields calculated on a taxable-equivalent basis at December 31, 2013. The weighted average yield is calculated using the amortized cost of debt securities. Expected maturities of certain securities can differ from contractual maturities because borrowers have the right to call or prepay obligations prior to contractual maturity.

			Contractual Principal—Remaining Maturity							
			Within 1 Year		After 1 Through 5 Years		After 5 Through 10 Years		After 10 Years	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-sale:										
Securities of U.S. states and political subdivisions:										
Taxable municipal securities	$ 47,455	1.27%	$—	—%	$ —	—%	$ —	—%	$ 47,455	1.27%
Residential agency MBS	108,903	1.86%	—	—%	3,562	2.33%	23,904	1.57%	81,437	1.93%
Residential non-agency MBS	14,737	2.15%	—	—%	—	—%	—	—%	14,737	2.15%
Commercial MBS	592,875	3.94%	—	—%	—	—%	—	—%	592,875	3.94%
Collateralized loan obligations	805,971	1.55%	—	—%	—	—%	134,186	1.67%	671,785	1.53%
Total carrying value of debt securities	$1,569,941		$—		$3,562		$158,090		$1,408,289	
Held-to-maturity:										
Securities of U.S. states and political subdivisions:										
Tax-exempt municipal securities	$3,027,132	6.76%	$—	—%	$5,672	2.13%	$ 4,511	6.32%	$3,016,949	6.77%
Tax-exempt nonprofit debentures	170,678	5.47%	—	—%	—	—%	—	—%	170,678	5.47%
Taxable municipal securities	53,181	6.34%	—	—%	—	—%	—	—%	53,181	6.34%
Residential non-agency MBS	1,543	0.70%	—	—%	—	—%	—	—%	1,543	0.70%
Total carrying value of debt securities	$3,252,534		$—		$5,672		$ 4,511		$3,242,351	
Estimated fair value of debt securities	$3,235,912		$—		$5,726		$ 4,733		$3,225,453	

Loan Portfolio

The following table presents our loan portfolio and loans held for sale by category at the dates indicated:

($ in millions)	December 31, 2013	2012	2011	2010	2009
Unpaid principal balance:					
Single family (1-4 units)	$ 19,870	$16,673	$13,538	$11,494	$10,487
Home equity lines of credit	1,962	1,888	1,879	1,756	1,830
Multifamily (5+ units)	4,022	3,007	2,437	1,993	2,129
Commercial real estate	3,431	2,909	2,505	2,175	2,970
Single family construction	290	234	184	168	242
Multifamily/commercial construction	278	171	123	115	262
Total real estate mortgages	29,853	24,882	20,666	17,701	17,920
Commercial business	3,582	2,600	1,657	1,221	1,087
Other secured	398	392	260	193	203
Unsecured loans and lines of credit	202	280	133	88	173
Stock secured	164	145	103	25	69
Total other loans	4,346	3,417	2,153	1,527	1,532
Total unpaid principal balance	34,199	28,299	22,819	19,228	19,452
Net unaccreted discount	(220)	(332)	(494)	(678)	(817)
Net deferred fees and costs	22	20	10	1	(2)
Carrying value	34,001	27,987	22,335	18,551	18,633
Allowance for loan losses	(153)	(130)	(68)	(19)	(45)
Loans, net	33,848	27,857	22,267	18,532	18,588
Single family loans held for sale	59	205	306	51	15
Total	$ 33,907	$28,062	$22,573	$18,583	$18,603

The following table separates our loan portfolio as of December 31, 2013 between loans acquired on July 1, 2010 and loans originated since July 1, 2010:

($ in millions)	Composition of Loan Portfolio		
	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans at December 31, 2013
Single family (1-4 units)	$ 3,779	$ 16,091	$ 19,870
Home equity lines of credit	771	1,191	1,962
Multifamily (5+ units)	474	3,548	4,022
Commercial real estate	857	2,574	3,431
Single family construction	7	283	290
Multifamily/commercial construction	1	277	278
Commercial business loans	361	3,221	3,582
Other secured	38	360	398
Unsecured loans and lines of credit	42	160	202
Stock secured	5	159	164
Total unpaid principal balance	6,335	27,864	34,199
Net unaccreted discount	(220)	—	(220)
Net deferred fees and costs	(6)	28	22
Allowance for loan losses	(9)	(144)	(153)
Loans, net	$ 6,100	$ 27,748	$ 33,848

The following table presents an analysis of the unpaid principal balance of our loan portfolio at December 31, 2013, including single family loans held for sale, by property type and major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Single family (1-4 units)	$ 9,035	$4,519	$2,670	$1,738	$ 528	$221	$1,218	$19,929	58%
Home equity lines of credit	779	407	352	209	65	22	128	1,962	6%
Multifamily (5+ units)	2,304	493	367	147	426	40	245	4,022	12%
Commercial real estate	1,871	468	490	76	156	104	266	3,431	10%
Commercial business	1,656	673	613	355	153	2	130	3,582	10%
Construction	210	74	142	14	13	11	104	568	2%
Stock and other secured	133	126	73	86	7	5	132	562	1%
Unsecured	58	63	31	24	2	—	24	202	1%
Total	$16,046	$6,823	$4,738	$2,649	$1,350	$405	$2,247	$34,258	100%
% by location	47%	20%	14%	8%	4%	1%	6%	100%	

At December 31, 2013 and 2012, approximately 58% and 61%, respectively, of total loans (based on unpaid principal balance) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of the loans secured by real estate.

Single Family. We originate single family loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores

and significant down payments; as part of our underwriting standards we verify the ability of the borrowers to repay our loans. At December 31, 2013, approximately $13.9 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 $13.0 billion, or 77% of our single family loan portfolio, at December 31, 2012. At December 31, 2013, loans of this type had a weighted average LTV of approximately 59%, based on appraised value at the time of origination and had credit scores averaging 759 at origination. Less than 1% of such home loans had an LTV at origination of more than 80%.

The following table presents the years in which amortization begins for single family loans, including loans held for sale, as of December 31, 2013:

($ in thousands)	December 31, 2013 Unpaid principal balance
Currently amortizing	$ 6,006,666
Amortization period starts in:	
2014	391,134
2015	415,101
2016	298,178
2017	362,375
2018	737,518
2019 and thereafter	11,717,278
Total	$ 19,928,250

The following table presents additional LTV information at origination for all single family loans, including loans held for sale, as of December 31, 2013:

($ in thousands)	December 31, 2013	
	Unpaid principal balance	% of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 8,863,681	44.5%
Greater than 60% to 70%	6,013,738	30.2%
Greater than 70% to 80%	4,937,372	24.8%
Greater than 80% to 90%	86,214	0.4%
Greater than 90%	2,621	0.0%
Nonaccrual	24,624	0.1%
Total	$ 19,928,250	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 basis ("CLTV"), including the total HELOC commitment and any balance on a first residential mortgage. The following table presents CLTV information at origination for HELOCs, including both the unpaid principal balance and total commitment as of December 31, 2013:

	December 31, 2013		
($ in thousands)	**Unpaid principal balance**	**Total commitment**	**% of unpaid principal balance of portfolio**
CLTV at Origination			
Less than or equal to 60%	$ 1,028,210	$ 2,566,802	52.5%
Greater than 60% to 70%	618,110	1,346,811	31.5%
Greater than 70% to 80%	298,537	632,295	15.2%
Greater than 80% to 90%	2,912	10,740	0.1%
Greater than 90%	1,011	1,011	0.1%
Nonaccrual	12,696	14,940	0.6%
Total	$ 1,961,476	$ 4,572,599	100.0%

The following table presents the years in which amortization begins on our HELOC portfolio as of December 31, 2013:

	December 31, 2013	
($ in thousands)	**Unpaid principal balance**	**Total commitment**
Currently amortizing	$ 45,550	$ 66,956
Amortization period starts in:		
2014	140,062	229,051
2015	126,602	223,790
2016	120,328	239,516
2017	120,748	237,899
2018	164,853	433,626
2019 and thereafter	1,243,333	3,141,761
Total	$ 1,961,476	$ 4,572,599

Multifamily. At December 31, 2013 and 2012, the unpaid principal balance of multifamily loans was $4.0 billion and $3.0 billion, respectively. At December 31, 2013 and 2012, included in this portfolio were $1.0 billion and $772.4 million, 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 December 31, 2013, for multifamily loans that allow for interest-only payments, the weighted average LTV was 55% based on the appraised value at the time of origination. Additionally, at December 31, 2013 and 2012, we had committed to lend $107.2 million and $72.0 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance under such commitments at December 31, 2013 and 2012 was $53.5 million and $35.0 million, respectively, representing 1% of the portfolio at December 31, 2013 and 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate. At December 31, 2013 and 2012, the unpaid principal balance of commercial real estate loans was $3.4 billion and $2.9 billion, respectively. At December 31, 2013 and 2012, included in this portfolio were $691.4 million and $537.2 million, 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 December 31, 2013, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 50% based on the appraised value at the time of origination. Additionally, at December 31, 2013 and 2012, we had committed to lend $160.9 million and $170.7 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance under such commitments at December 31, 2013 and 2012 was $54.9 million and $63.8 million, respectively, representing 2% of the portfolio at December 31, 2013 and 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Business. At December 31, 2013 and 2012, the unpaid principal balance of commercial business loans was $3.6 billion and $2.6 billion, respectively. The following table presents the unpaid principal balance and total commitment for commercial business loans by type at the dates indicated. As a result of standardizing industry codes, certain reclassifications have been made in the table below for December 31, 2012 to conform to the current period presentation.

	December 31,			
	2013		2012	
($ in thousands)	Unpaid principal balance	Total commitment	Unpaid principal balance	Total commitment
Private Equity/Venture Capital Funds	$ 752,006	$ 2,351,141	$ 630,304	$ 1,914,497
Schools/Non-profit Organizations	1,481,748	2,043,411	922,070	1,181,715
Investment Firms	207,879	465,627	184,174	414,131
Entertainment Industry	209,613	445,602	138,515	211,366
Real Estate Related Entities	214,947	354,897	139,709	230,814
Professional Service Firms	138,649	301,674	127,735	270,368
Clubs and Membership Organizations	148,773	176,551	98,165	112,864
Aircraft/Watercraft	156,808	161,936	127,109	128,376
Vineyards/Wine	104,433	153,232	52,632	88,384
Other	167,198	289,807	179,738	276,073
Total	$ 3,582,054	$ 6,743,878	$ 2,600,151	$ 4,828,588

The following table presents the maturity distribution of our real estate construction loans and other non-mortgage loans as of December 31, 2013. The maturity dates were determined based on the remaining scheduled principal repayment dates.

($ in thousands)	1 Year or Less	>1 Through 5 Years	>5 Years	Total
Maturity distribution:				
Commercial business	$ 1,182,017	$ 570,507	$ 1,829,530	$ 3,582,054
Real estate construction	260,893	307,877	—	568,770
Other secured	70,785	146,856	180,237	397,878
Unsecured	151,085	50,595	517	202,197
Stock secured	97,267	62,383	4,000	163,650
Total	$ 1,762,047	$ 1,138,218	$ 2,014,284	$ 4,914,549

The following table presents the distribution of our real estate construction loans and other non-mortgage loans outstanding as of December 31, 2013 that are due after one year between fixed and variable interest rates:

($ in thousands)	Fixed	Adjustable	Total
Commercial business	$ 1,864,510	$ 535,527	$ 2,400,037
Real estate construction	183,835	124,042	307,877
Other secured	52,348	274,745	327,093
Unsecured	3,737	47,375	51,112
Stock secured	3,856	62,527	66,383
Total	$ 2,108,286	$ 1,044,216	$ 3,152,502

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, primarily for our existing clients. At December 31, 2013, approximately 36% of our total loans were adjustable-rate or mature within one year. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through December 31, 2013, we have originated approximately $108 billion of loans, of which approximately $20 billion have been sold to investors.

Total loan originations were $17.8 billion in 2013 compared to $15.5 billion in 2012 and $10.2 billion in 2011, an increase of 15% during 2013 and 51% during 2012. The volume and type of loan originations depends on the level of interest rates, the number of personnel involved in lending, the demand for home loans in our markets and other economic conditions.

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

	December 31,		
($ in thousands)	2013	2012	2011
Single family (1-4 units)	$ 9,039,956	$ 8,603,111	$ 5,406,091
Home equity lines of credit	1,271,646	1,112,655	804,884
Multifamily (5+ units)	1,695,073	1,185,727	945,531
Commercial real estate	1,156,273	1,044,507	656,391
Construction	868,070	496,472	382,732
Commercial business	3,042,350	2,190,685	1,553,254
Other loans	768,912	829,784	490,390
Total loans originated	$ 17,842,280	$ 15,462,941	$ 10,239,273

Due to low interest rates available to borrowers, we have experienced a high level of single family lending from refinancing activities (refinance loans), as well as purchase loans in our primary markets. The following table presents purchase loans and refinance loans as a percentage of total single family mortgage originations for each of the past three years:

	December 31,		
	2013	2012	2011
Purchase loans	46%	40%	37%
Refinance loans	54%	60%	63%
Total	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, including 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. At December 31, 2013, the approximate weighted average LTVs at origination for loans in our portfolio were 60% on single family loans, 55% (CLTV) on HELOCs, 57% on multifamily loans, 54% on commercial real estate loans and 55% on construction loans. These original LTVs change over time as property values fluctuate and principal payments are made.

We either retain originated home loans in our loan portfolio or sell the loans in whole loan or loan participation arrangements, either in the secondary market or in loan securitizations. Loan sales are highly dependent upon market conditions. We have retained in our loan portfolio both ARMs and intermediate-fixed rate loans. If interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers. Subject to market conditions, our ARMs generally provide for a life cap that is 5% to 6% 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 are placed on nonaccrual status until collectibility improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive payments.

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

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

($ in thousands)	December 31, 2013	2012	2011	2010	2009
Nonaccrual loans					
Single family (1-4 units)	$23,994	$20,744	$13,910	$ 7,554	$ 62,953
Home equity lines of credit	12,568	4,825	3,404	—	13,055
Multifamily (5+ units)	2,501	3,335	6,464	2,732	24,800
Commercial real estate	7,753	6,599	693	4,659	92,740
Single family construction	3,448	—	—	—	12,456
Multifamily/commercial construction	—	—	—	1,782	26,856
Commercial business	4,021	13,567	1,796	1,361	10,263
Other	207	83	106	255	6,025
Total nonaccrual loans	54,492	49,153	26,373	18,343	249,148
Other real estate owned	3,200	—	3,681	625	21,462
Total nonperforming assets	$57,692	$49,153	$30,054	$18,968	$270,610
Nonperforming assets to total assets	0.14%	0.14%	0.11%	0.08%	1.36%
Restructured accruing loans	19,984	12,398	6,674	1,669	1,450
Accruing loans 90 days or more past due	$ —	$ —	$ —	$ —	$ 11,262

See Note 4 to "Item 8. Financial Statements and Supplementary Data" for information related to interest income on nonaccrual loans for the years ended December 31, 2013, 2012 and 2011.

Of the loans on nonaccrual status, at December 31, 2013, approximately $38.4 million were current, compared to $33.8 million at December 31, 2012. The majority of these loans were current in accordance with their modified payment terms.

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

Allowance for Loan Losses

We establish an allowance for loan losses for the inherent risk of probable losses, based upon established criteria, including the type of loan, loan characteristics, our and the industry's historical loss experience, and economic trends. Our allowance for loan losses is adjusted quarterly to maintain a level estimated by management to be appropriate to provide for losses that can be reasonably anticipated based upon specific conditions at the time. Our allowance for loan losses methodology, including allocation to specific loans and between the loan portfolio categories, requires management's consideration of a number of factors. These factors include past loss experience, our underwriting process, the results of our ongoing loan review and grading process, the amount of past due and nonperforming loans, legal requirements, recommendations or requirements of regulatory authorities, current and expected economic conditions and other factors. Many of these factors are subjective and cannot be reduced to a mathematical formula. The allowance reflects management's best estimate of the losses that are inherent in the loan portfolio at the balance sheet date. Actual losses in any year may exceed allowance amounts.

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

The following table presents an analysis of our allowance for loan losses, including provisions for loan losses, charge-offs and recoveries, at the dates or for the years indicated:

	Year Ended			Six Months Ended		Year Ended
($ in thousands)	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**	**June 30, 2010 [(1)]**	**December 31, 2009 [(1)]**
Allowance for loan losses:						
Balance at beginning of period	$ 129,889	$ 68,113	$ 18,809	$ 13,795	$ 45,003	$ 176,679
Purchase accounting adjustment [(2)]	—	—	—	(13,795)	—	(176,679)
Provision	36,969	63,436	52,329	18,809	17,352	49,462
Transfer to BANA [(3)]	—	—	—	—	(39,164)	—
Charge-offs:						
Single family (1-4 units)	(153)	(544)	(1,631)	—	—	—
Home equity lines of credit	(1,076)	(321)	(352)	—	—	—
Multifamily (5+ units)	—	(384)	—	—	(748)	—
Commercial real estate	—	—	—	—	(4,798)	(2,273)
Commercial business	(12,157)	(237)	(878)	—	(3,747)	(1,531)
Other secured	—	—	—	—	(527)	(1,289)
Unsecured	(993)	(335)	(164)	—	(17)	—
Total charge-offs	(14,379)	(1,821)	(3,025)	—	(9,837)	(5,093)
Recoveries:						
Single family (1-4 units)	22	53	—	—	62	—
Home equity lines of credit	42	11	—	—	—	—
Multifamily (5+ units)	—	8	—	—	—	—
Commercial real estate	—	—	—	—	102	1
Commercial business	31	62	—	—	135	453
Other secured	—	—	—	—	68	100
Unsecured	431	27	—	—	74	80
Total recoveries	526	161	—	—	441	634
Net loan charge-offs	(13,853)	(1,660)	(3,025)	—	(9,396)	(4,459)
Balance at end of period	$ 153,005	$ 129,889	$ 68,113	$ 18,809	$ 13,795	$ 45,003
Average total loans for the period	$ 30,369,778	$ 24,902,874	$ 19,852,913	$ 17,736,884	$ 18,008,755	$ 17,623,345
Total loans at period end	$ 34,000,548	$ 27,986,759	$ 22,335,594	$ 18,550,500	$ 17,353,819	$ 18,632,781
Ratios:						
Net charge-offs to:						
Average total loans (annualized)	0.05%	0.01%	0.02%	—%	0.11%	0.03%
Allowance for loan losses to:						
Total loans	0.45%	0.46%	0.30%	0.10%	0.08%	0.24%
Nonaccruing loans	280.8%	264.3%	258.3%	102.5%	78.8%	18.1%

(1) Represents the Predecessor's period.

(2) On July 1, 2010 and January 1, 2009, our allowance for loan losses became part of the loan carrying value due to purchase accounting adjustments.

(3) Amount represents the allowance for loan losses related to the loans transferred to BANA in April 2010 in connection with the Transaction.

At December 31, 2013, the allowance for loan losses was 0.45% of our total loan portfolio, compared to 0.46% at December 31, 2012. At December 31, 2013, $144.5 million of the allowance for loan losses relates to the loans outstanding that were originated since July 1, 2010, and represented 0.52% of such loans outstanding, compared to 0.59% at December 31, 2012. During 2013, $12.0 million of charge-offs were recorded related to one nonperforming commercial business loan relationship.

Also, for loans with purchase accounting discounts, we reduce loan discounts for charge-offs of contractual amounts outstanding, which are not included in the allowance for loan losses rollforward above. The following table summarizes net loan charge-offs recorded both against the allowance for loan losses and against loan discounts, as well as the related percentage of net loan charge-offs to average loans for the years indicated:

	Year Ended December 31,					
	2013		2012		2011	
($ in thousands)	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount
Net loan charge-offs to:						
Allowance for loan losses	0.05%	$13,853	0.01%	$1,660	0.02%	$3,025
Loan discounts	0.00%	380	0.00%	286	0.01%	2,196
Total	0.05%	$14,233	0.01%	$1,946	0.03%	$5,221

(1) Represents net charge-offs to average loans during the period.

The following tables present management's historical allocation of the allowance for loan losses by loan category to specific loans in those categories as a result of our loan review process at the dates indicated:

	December 31,					
	2013		2012		2011	
($ in thousands)	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio
Allocation of allowance for loan losses:						
Single family (1-4 units) and home equity lines of credit	$ 28,485	64%	$ 23,600	66%	$12,424	69%
Multifamily (5+ units)	18,410	12%	19,362	11%	10,753	10%
Commercial real estate	16,314	10%	16,827	10%	6,462	11%
Construction	2,165	2%	1,592	1%	1,197	1%
Commercial business and other	59,946	12%	48,508	12%	25,143	9%
Unallocated	27,685	—%	20,000	—%	12,134	—%
Total	$153,005	100%	$129,889	100%	$68,113	100%

($ in thousands)	December 31, 2010 Amount	2010 % of Loan Portfolio	2009 [1] Amount	2009 [1] % of Loan Portfolio
Allocation of allowance for loan losses:				
Single family (1-4 units) and home equity lines of credit	$ 3,079	70%	$ 1,980	63%
Multifamily (5+ units)	1,922	10%	7,592	11%
Commercial real estate	1,530	11%	18,911	15%
Construction	247	1%	7,958	3%
Commercial business and other	8,538	8%	8,562	8%
Unallocated	3,493	—%	—	—%
Total	$18,809	100%	$45,003	100%

(1) Represents the Predecessor's period.

Mortgage Banking Activities

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

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

($ in thousands)	Year Ended December 31, 2013	2012	2011
Single family loans originated	$9,039,956	$8,603,111	$5,406,091
Loans sold:			
Agency	$ 467,049	$ 922,475	$ 248,215
Non-agency	2,196,439	1,510,905	480,454
Total loans sold	$2,663,488	$2,433,380	$ 728,669
Gain on sale of loans:			
Amount	$ 36,290	$ 38,831	$ 6,417
Gain as a percentage of loans sold	1.36%	1.60%	0.88%

The relatively high level of gain on sales for 2013 and 2012 results from a high level of longer-term fixed-rate loan originations and favorable conditions in the secondary market. 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 substantially all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. We retain MSRs on substantially all 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 do not have any recourse obligations on the loans that we have sold. In accordance with secondary market standards, we make customary representations and warranties related to the origination and documentation of sold loans; however, we have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans under such representations and warranties.

In 2013, we purchased approximately $101.1 million of single family loans that we originated and previously sold to an investor. All purchased loans were performing loans.

Mortgage loans serviced for investors increased to $6.0 billion at December 31, 2013 from $4.6 billion at December 31, 2012 due to increased loan sales. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At December 31, 2013, MSRs were $29.8 million (50 basis points of loans serviced), compared to $17.8 million (39 basis points of loans serviced) at December 31, 2012.

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 December 31, 2013 and 2012, our total deposits were $32.1 billion and $27.1 billion, respectively. The following table presents the balances and average contractual cost of deposits at the dates indicated:

	December 31,					
	2013		2012		2011	
($ in thousands)	Amount	Weighted Ave. Cost	Amount	Weighted Ave. Cost	Amount	Weighted Ave. Cost
Checking	$16,184,511	0.02%	$13,952,797	0.01%	$ 9,791,384	0.02%
Money Market ("MM") checking	4,966,626	0.14%	4,104,791	0.07%	3,139,448	0.16%
MM savings and passbooks	7,025,686	0.19%	6,064,629	0.10%	5,520,558	0.16%
CDs	3,905,893	1.28%	2,966,030	1.60%	4,007,869	1.88%
Total	$32,082,716	0.23%	$27,088,247	0.21%	$22,459,259	0.40%

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than $250,000), provide a stable source of low cost funding. Core deposits totaled $30.7 billion and $26.3 billion at December 31, 2013 and 2012, respectively, and represented 96% and 97% of total deposits at December 31, 2013 and 2012, respectively.

Deposits increased 18% at December 31, 2013 compared to December 31, 2012 as the Bank continued to acquire new deposit clients, both business and consumer, and expand existing business relationships. The following table presents deposits by region in which the accounts are serviced at the dates indicated. Our retail locations that gather deposits are designated as "Preferred Banking Offices."

($ in thousands)	December 31, 2013	December 31, 2012
Preferred Banking Offices		
Northern California	$ 7,110,284	$ 6,170,601
Metropolitan New York	1,836,615	1,500,193
Southern California	1,573,053	1,519,003
Boston	563,450	401,048
Subtotal	11,083,402	9,590,845
Preferred Banking		
Northern California	7,395,510	6,288,964
Metropolitan New York	4,642,050	3,527,781
Southern California	2,801,450	2,455,566
Boston	3,051,468	2,083,808
Wealth management	404,895	718,793
Subtotal	18,295,373	15,074,912
Wealth management sweep	2,085,566	1,916,545
Other	618,375	505,945
Total deposits	$32,082,716	$27,088,247

Overall, deposits in our Preferred Banking Offices grew 16% during 2013. Checking and savings deposits in our Preferred Banking Offices increased 12% during 2013. This deposit growth has resulted from client referrals, our general marketing initiatives, the cross-selling of products and the sales and service skills of individual employees. Growth has been distributed among personal and business checking accounts, money market and passbook savings accounts.

Preferred Banking deposits grew 21% during 2013. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank. These deposits grew 9% during 2013 due to the addition of new clients, along with wealth management clients keeping excess cash in the Bank instead of other investment alternatives. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

The following table presents consumer and business deposits at the dates indicated:

($ in thousands)	December 31, 2013	December 31, 2012
Consumer deposits:		
Negotiable order of withdrawal ("NOW") checking	$ 6,702,994	$ 6,252,644
MM checking	2,458,717	2,110,421
Passbook	1,635,443	1,993,174
MM savings	2,825,104	2,320,573
CDs	3,905,893	2,966,030
	17,528,151	15,642,842
Business deposits:		
Business checking	9,481,517	7,700,153
Business MM checking	2,507,909	1,994,370
Business savings	2,565,139	1,750,882
	14,554,565	11,445,405
Total	$32,082,716	$27,088,247

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 December 31, 2013 and 2012, our CDs having balances greater than $250,000 totaled $1.3 billion and $817.1 million, respectively. In addition, our CDs having balances of $100,000 or more totaled $2.9 billion and $2.0 billion at December 31, 2013 and 2012, respectively. At December 31, 2013, the weighted average contractual rate paid on CDs was 1.28%, down 32 basis points, compared to 1.60% at December 31, 2012. The following table presents the maturities of our CDs of $100,000 or more and greater than $250,000 in size at December 31, 2013:

($ in thousands)	Greater than or equal to $100,000	Greater than $250,000
Remaining maturity:		
Three months or less	$ 668,328	$ 369,220
Over three through six months	501,684	205,144
Over six through twelve months	642,194	356,222
Over twelve months	1,118,766	412,086
Total	$2,930,972	$1,342,672
Percent of total deposits	9%	4%

At December 31, 2013, the contractual maturities and weighted average contractual rate of our CDs were as follows:

($ in thousands)	December 31, 2013	
	Amount	Weighted Average Contractual Rate
Certificates of deposit:		
2014	$2,386,668	0.90%
2015	828,825	1.90%
2016	440,939	1.88%
2017	47,097	1.31%
2018	110,639	1.59%
2019 and thereafter	84,367	2.09%
Subtotal	3,898,535	1.28%
Purchase accounting premium	7,358	
Total	$3,905,893	

Other Funding

Other sources of funding include federal funds purchased and short-term and long-term FHLB advances. Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less and long-term FHLB advances have an original maturity in excess of one year. At December 31, 2013, we had no short-term borrowings, compared to $75.0 million at December 31, 2012. At December 31, 2013 and 2012, we had long-term FHLB advances of $5.2 billion and $3.2 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 3.1 years at December 31, 2013.

The following table presents the contractual maturities and weighted average contractual rate of our FHLB advances at December 31, 2013:

($ in thousands)	December 31, 2013	
	Amount	Weighted Average Contractual Rate
FHLB advances maturing in:		
2014	$ 300,000	1.25%
2015	850,000	1.67%
2016	1,200,000	1.42%
2017	1,100,000	1.62%
2018	1,425,000	1.60%
2019 and thereafter	275,000	1.97%
Total	$5,150,000	1.57%

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at December 31, 2013 was $11.1 billion and $2.6 billion, respectively. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

The following table presents certain information with respect to our short-term borrowings at the dates indicated:

($ in thousands)	December 31, 2013	2012	2011
Short-term borrowings:			
FHLB advances	$ —	$75,000	$100,000
Maximum amount outstanding at any month-end during the year	$1,400,000	$75,000	$500,000
Average amount outstanding during the year	$ 355,556	$ 3,262	$ 86,849
Average rate for the year	0.20%	0.25%	0.37%

Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

The following table presents the maturity distribution of our significant contractual obligations at December 31, 2013. Deposit obligations categorized as "indeterminate maturity" include noninterest-bearing demand accounts, interest-bearing checking accounts, money market checking accounts, money market savings accounts and passbook accounts.

($ in thousands)	Less Than 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Indeterminate Maturity	Total
Deposits	$2,389,210	$1,274,579	$ 157,737	$ 84,367	$28,176,823	$32,082,716
FHLB advances	300,000	2,050,000	2,525,000	275,000	—	5,150,000
Debt related to variable interest entities	—	—	—	43,132	—	43,132
Operating leases, net of sublease income	$ 45,040	$ 88,840	$ 84,544	$244,212	$ —	$ 462,636

See Notes 8, 10, 11 and 14 to "Item 8. Financial Statements and Supplementary Data" for additional information.

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 December 31, 2013, our investment securities portfolio of $4.8 billion and cash and cash equivalents of $0.8 billion comprised 13% of total assets. At December 31, 2013, we had $11.1 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $2.6 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged securities. Unused borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 33% of total assets. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

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.

During 2013, we originated $17.8 billion of loans and purchased $1.6 billion of investment securities, which were funded by loan repayments of $10.5 billion, a net increase in deposits of $5.0 billion, the sale of $2.7 billion of loans, and a net increase in long-term FHLB advances of $2.0 billion. In addition, during 2013, the Bank issued Series D Preferred Stock and Series E Preferred Stock, which resulted in a net increase in funding of $377.9 million.

We had no short-term borrowings at December 31, 2013. We primarily use short-term borrowings to fund short-term assets, such as loans held for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit changes.

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

Capital Resources

At December 31, 2013, our total equity was $4.2 billion, which included $3.3 billion of common shareholders' equity and $889.5 million of the Bank's noncumulative perpetual preferred stock. At December 31, 2012, our total equity was $3.4 billion, which included $2.9 billion of common shareholders' equity and $499.5 million of the Bank's noncumulative perpetual preferred stock.

At December 31, 2013, our Tier 2 capital included the allowance for loan losses of $153.0 million and the reserve for unfunded commitments of $8.6 million. At December 31, 2012, our Tier 2 capital included the allowance for loan losses of $129.9 million and the reserve for unfunded commitments of $8.1 million.

During 2013, we completed two public offerings of noncumulative perpetual preferred stock with an aggregate liquidation preference of $390.0 million and a weighted average rate of 6.27%. Net proceeds from these offerings, after underwriting discounts and expenses, were approximately $377.9 million, all of which is Tier 1 capital of the Bank.

Our capital ratios exceeded all applicable regulatory requirements at December 31, 2013 for well-capitalized institutions. As a condition of being a newly-chartered institution, we are required to maintain a Tier 1 leverage ratio of at least 8% through our first 7 years until July 1, 2017. The following table presents our capital ratios at December 31, 2013 and the standards for both well-capitalized depository institutions and minimum capital requirements:

($ in thousands)	Amount
Regulatory Capital:	
Tier 1 capital [(1)]	$ 3,907,482
Total capital [(1)]	$ 4,069,440
Assets:	
Average assets [(1)]	$42,513,437
Risk-weighted assets	$29,288,374

	Ratio	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:			
Tier 1 capital to average assets (leverage ratio)	9.19%	5.00%	4.00%
Tier 1 capital to risk-weighted assets	13.34%	6.00%	4.00%
Total capital to risk-weighted assets	13.89%	10.00%	8.00%

(1) Tier 1 capital, total capital and average assets exclude goodwill and intangible assets.

Current Accounting Developments

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

- In July 2013, the FASB issued amendments to Accounting Standards Codification 740-10, "Income Taxes," which require an entity with a net operating loss carryforward, a tax credit carryforward or a similar tax loss to present unrecognized tax benefits as a reduction in deferred tax assets in the statement of financial position when certain criteria are met. The amendments are effective for interim and annual periods beginning after December 15, 2013 and will be applied prospectively. Early adoption and retrospective application are permitted. The adoption of this new guidance is not expected to have a significant impact on our financial condition, results of operations or cash flows.
- In January 2014, the FASB issued amendments to ASC 310-40, "Receivables—Troubled Debt Restructurings by Creditors," which require an entity, who obtains physical possession of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable, to disclose both the carrying amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure. For public companies, the amendments are effective for interim and annual periods beginning after December 15, 2014 and will be applied on a modified retrospective or prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on our financial condition, results of operations, cash flows or disclosures.

Use of Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP in the United States 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, net interest margin and the efficiency ratio.

Our net income, earnings per share, 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; accrete discounts on loan commitments to noninterest income; amortize premiums on liabilities such as CDs and subordinated notes to interest expense; and amortize intangible assets to noninterest expense. In addition, earnings per share for 2012 were impacted following the redemption of the FRPCC Series D preferred stock in the second quarter of 2012 due to the $13.2 million difference between the liquidation preference and the carrying value established in purchase accounting.

In December 2012, First Republic purchased substantially all of the assets of Luminous. The amortization of intangible assets from this transaction is not an adjustment in the calculation of the Bank's non-GAAP measures in 2013.

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 years indicated:

(in thousands, except per share amounts)	Year Ended December 31, 2013	2012	2011
Non-GAAP earnings			
Net income	$ 462,070	$ 401,164	$ 354,388
Accretion/amortization added to net interest income	(123,579)	(186,199)	(242,156)
Discounts recognized in gain on sale of loans	—	—	(3,827)
Accretion added to noninterest income	—	(255)	(1,472)
Amortization of intangible assets	18,113	20,472	22,723
Add back tax impact of the above items	44,823	70,542	95,512
Non-GAAP net income	401,427	305,724	225,168
Dividends on preferred stock	(40,671)	(18,743)	—
Redemption of FRPCC preferred stock	—	(13,200)	—
Impact of FRPCC preferred stock redemption	—	13,200	—
Non-GAAP net income available to common shareholders	$ 360,756	$ 286,981	$ 225,168
GAAP earnings per common share—diluted	$ 3.10	$ 2.75	$ 2.67
Impact of purchase accounting, net of tax	(0.45)	(0.71)	(0.97)
Impact of FRPCC preferred stock redemption	—	0.10	—
Non-GAAP earnings per common share—diluted	$ 2.65	$ 2.14	$ 1.70
Weighted average diluted common shares outstanding	135,949	134,189	132,724

($ in thousands)	Year Ended December 31, 2013	2012	2011
Yield on average loans			
Interest income on loans	$ 1,193,931	$ 1,160,522	$ 1,104,504
Add: Tax-equivalent adjustment on loans	19,816	10,825	4,787
Interest income on loans (tax-equivalent basis)	1,213,747	1,171,347	1,109,291
Less: Accretion	(111,682)	(162,018)	(184,921)
Non-GAAP interest income on loans (tax-equivalent basis)	$ 1,102,065	$ 1,009,329	$ 924,370
Average loans	$30,643,493	$25,106,210	$19,930,099
Add: Average unaccreted loan discounts	277,231	418,583	595,378
Average loans (non-GAAP)	$30,920,724	$25,524,793	$20,525,477
Yield on average loans—reported	3.96%	4.66%	5.57%
Contractual yield on average loans (non-GAAP)	3.56%	3.95%	4.50%

($ in thousands)	Year Ended December 31, 2013	2012	2011
Cost of average deposits			
Interest expense on deposits	$ 60,817	$ 56,981	$ 83,268
Add: Amortization of CD premiums	11,897	22,239	54,572
Non-GAAP interest expense on deposits	$ 72,714	$ 79,220	$ 137,840
Average deposits	$29,311,326	$24,605,445	$21,011,324
Less: Average unamortized CD premiums	(12,958)	(28,888)	(65,835)
Average deposits (non-GAAP)	$29,298,368	$24,576,557	$20,945,489
Cost of average deposits—reported	0.21%	0.23%	0.40%
Contractual cost of average deposits (non-GAAP)	0.25%	0.32%	0.66%

($ in thousands)	Year Ended December 31, 2013	2012	2011
Net interest margin			
Net interest income	$ 1,224,175	$ 1,173,020	$ 1,065,739
Add: Tax-equivalent adjustment	84,830	66,114	39,964
Net interest income (tax-equivalent basis)	1,309,005	1,239,134	1,105,703
Less: Accretion/amortization	(123,579)	(186,199)	(242,156)
Non-GAAP net interest income (tax-equivalent basis)	$ 1,185,426	$ 1,052,935	$ 863,547
Average interest-earning assets	$36,165,915	$29,372,377	$23,884,446
Add: Average unaccreted loan discounts	277,231	418,583	595,378
Average interest-earning assets (non-GAAP)	$36,443,146	$29,790,960	$24,479,824
Net interest margin—reported	3.62%	4.22%	4.63%
Net interest margin (non-GAAP)	3.26%	3.53%	3.53%

($ in thousands)	Year Ended December 31, 2013	2012	2011
Efficiency ratio			
Net interest income	$ 1,224,175	$ 1,173,020	$ 1,065,739
Less: Accretion/amortization	(123,579)	(186,199)	(242,156)
Net interest income (non-GAAP)	$ 1,100,596	$ 986,821	$ 823,583
Noninterest income	$ 244,350	$ 168,734	$ 117,930
Less: Accretion of discounts on loan commitments	—	(255)	(1,472)
Discounts recognized in gain on sale of loans	—	—	(3,827)
Noninterest income (non-GAAP)	$ 244,350	$ 168,479	$ 112,631
Total revenue	$ 1,468,525	$ 1,341,754	$ 1,183,669
Total revenue (non-GAAP)	$ 1,344,946	$ 1,155,300	$ 936,214
Noninterest expense	$ 767,997	$ 676,971	$ 566,688
Less: Intangible amortization	(18,113)	(20,472)	(22,723)
Noninterest expense (non-GAAP)	$ 749,884	$ 656,499	$ 543,965
Efficiency ratio	52.3%	50.5%	47.9%
Efficiency ratio (non-GAAP)	55.8%	56.8%	58.1%

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 and when planning and forecasting future periods. 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.

Critical Accounting Policies and the Impact of Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for loan losses, estimated loan lives, interest rate risk, investments, goodwill, identifiable intangible assets, income taxes, contingencies, litigation and other operational risks. 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. Actual results may differ from these estimates under different assumptions or conditions.

Allowance for Loan Losses

We consider the accounting policy for allowance for loan losses to be a critical accounting policy because it is a complex process involving difficult and subjective judgments, assumptions and estimates. The allowance for loan losses is an estimate that can change under different assumptions and conditions. We estimate credit losses resulting from the inability of our clients to make required payments. If the financial condition of our borrowers were to deteriorate, resulting in an impairment of their ability to make payments, or the value of collateral securing mortgage loans were to decline, an increase in the allowance may be required. A significant decline in the credit quality of our loan portfolio requiring an increase in our allowance for loan losses would have a material adverse effect on our financial condition, results of operations and cash flows.

Management identifies five different classes of loans for purposes of assessing the adequacy of the allowance for loan losses: (1) purchased non-impaired; (2) purchased non-impaired that subsequently became impaired under ASC 310-10-35, "Receivables—Subsequent Measurement;" (3) loans accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," ("purchased credit-impaired"); (4) loans originated after June 30, 2010 that are not impaired; and (5) loans originated after June 30, 2010 that are impaired under ASC 310-10-35.

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

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

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

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

Life of Loans and Repayment Speed

Other significant estimates required in the preparation of our financial statements include the rate of principal repayment of loans sold to investors. The life of a loan affects the valuation of MSRs. At December 31, 2013, the carrying value of our MSRs was $29.8 million. We perform quarterly assessments of the fair value of MSRs and provide for impairment allowances whenever the fair value of the MSRs associated with a specific group of loans falls below its carrying value. When loans serviced for others prepay more rapidly than projected, we may be required to record an impairment provision on our MSRs. During 2013, we recorded a net reversal of impairment of $1.9 million, as a result of lower actual and projected repayments in the servicing portfolio.

Business Combinations, Goodwill and Other Intangible Assets

We also consider accounting for business combinations to be a critical accounting policy. We apply the acquisition method of accounting for business combinations under ASC 805, "Business Combinations," in which we recognize assets acquired and liabilities assumed at their acquisition date estimated fair value. Any excess of the purchase price over net assets acquired is recorded as goodwill.

Our assets and liabilities were remeasured at their estimated fair values on July 1, 2010 in connection with the Bank's re-establishment as an independent institution. The most significant estimate of fair value recorded on July 1, 2010 was reflected in loans held on the balance sheet. The majority of the loan discount established at the date of acquisition is accreted into income over the lives of the loans (consistent with the guidance in ASC 310-20.)

Our intangible assets related to core deposits and wealth management customer relationships plus trade name/trademark were initially recorded based on their acquisition date estimated fair value. The initial fair value of the first two of these intangible assets was generally determined based on discounted future cash flows over the life of the assets. Core deposit and wealth management customer relationship intangible assets are amortized over their useful lives not to exceed ten years. Intangible assets associated with the trade name/trademark are not amortized, but are evaluated for impairment at least annually.

During 2012, we recognized goodwill of $81.9 million and customer relationship intangible assets of $42.5 million in connection with the Luminous asset purchase.

We perform an impairment analysis of goodwill and other intangible assets at the reporting unit level at least annually, or on an interim basis if events or circumstances, such as market conditions, industry trends and regulations and our financial performance, indicate that the estimated fair value is less than carrying value. Since July 1, 2010, we have not recognized impairment losses related to our goodwill or other intangible assets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management

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

Typically, we have managed interest rate risk by originating and retaining adjustable-rate loans and hybrid ARM loans with initial short or intermediate-term fixed rates and match funding these assets with checking and savings accounts, short and intermediate-term CDs, and fixed-rate term FHLB advances. We have also utilized overnight and short-term borrowings to fund certain short-term assets, such as loans held for sale and floating rate investments, or to bridge temporary funding gaps, such as those brought about by client investment activity or seasonal deposit changes. As an active and ongoing part of our ALM strategy, we have regularly sold long-term, fixed-rate single family mortgage loan originations and a portion of our single family hybrid ARM loan originations into the secondary market through ongoing, or "flow," transactions. We have also historically sold a portion of our single family adjustable-rate, hybrid ARM and fixed-rate loan originations in bulk loan transactions or securitizations. We sold $2.7 billion of primarily longer-term, fixed-rate loans during 2013, compared to loan sales of $2.4 billion for 2012.

Our net interest income and margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 65% of total earning assets at December 31, 2013, compared to 62% at December 31, 2012. Among remaining earning assets with reset periods of less than one year, those that reprice at least quarterly to market rate indices, such as Prime or LIBOR, totaled 25% of earning assets at December 31, 2013 and 27% at December 31, 2012. Those earning assets with lagging indices, such as COFI and the 12-month Treasury Average ("MTA") totaled 10% of earning assets at December 31, 2013, compared to 11% at December 31, 2012. Together, earning assets with reset periods of less than one year totaled 35% and 38% at December 31, 2013 and 2012, respectively.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together comprised 37% of total deposits at December 31, 2013 and 2012. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which bear only a nominal interest rate that has tended not to fluctuate much with changes in interest rates historically. Total checking deposits comprised 51% and 52% of total deposits at the same respective period ends. CDs comprised 12% and 11% of total deposits at December 31, 2013 and 2012, respectively, and had a weighted average remaining maturity of 13.4 months and 17.3 months at the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At December 31, 2013, we did not have any active interest rate exchange agreements for hedging purposes.

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

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

Evaluation of Current Interest Rate Risk

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

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

FIRST REPUBLIC BANK
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table summarizes the interest rate gap analysis of our assets and liabilities at December 31, 2013:

($ in millions)	12 Months or Less	>1 to 2 Years	>2 to 5 Years	>5 Years or Not Rate Sensitive	Total
Repricing and Maturing Term					
Assets:					
Cash and investments	$ 1,587	$ 148	$ 751	$ 3,146	$ 5,632
Loans, net [1], [2]	13,710	3,547	9,584	7,065	33,906
Other assets	258	—	766	1,551	2,575
Total assets	15,555	3,695	11,101	11,762	$42,113
Liabilities and Equity:					
Checking [3]	$ 7,174	$ —	$ —	$ 9,010	$16,184
Money market checking and savings deposits [3]	8,084	—	—	3,908	11,992
CDs	2,387	829	598	92	3,906
Long-term FHLB advances	300	850	3,725	275	5,150
Other liabilities	81	—	—	640	721
Equity	—	—	—	4,160	4,160
Total liabilities and equity	18,026	1,679	4,323	18,085	$42,113
Repricing gap-positive (negative)	$ (2,471)	$2,016	$ 6,778	$ (6,323)	
Cumulative repricing gap:					
Dollar amount	$ (2,471)	$ (455)	$ 6,323		
Percent of total assets	(5.9)%	(1.1)%	15.0%		

(1) Adjustable-rate loans consist principally of real estate secured loans with a maximum term of 30 years. Such loans are generally adjustable monthly, semiannually, or annually based upon changes in the LIBOR, Prime rate, COFI, MTA, or the Constant Maturity Treasury, subject generally to a maximum increase of 5% to 6% over the lifetime of the loan.

(2) Includes loans held for sale.

(3) Checking, money market checking and savings deposits are contractually subject to immediate adjustment or withdrawal, although a portion of such deposits have proven to be stable and not rate sensitive historically. Periodically, we evaluate deposit account characteristics, such as trends in average account balance, in making certain assumptions in our interest rate risk analyses about the degree to which such deposits may adjust or migrate to adjustable-rate liabilities if interest rates were to change significantly. In 2013, we have revised downward our assumption from a range of 50%-60% to a range of 40%-50% for the amount of checking balances that may migrate to adjustable-rate liabilities if interest rates were to change significantly. Revisions in these assumptions are based on average account balances, changes in client type, and economic conditions affecting our clients. Also, we assume approximately 70% of money market checking and savings deposits may be sensitive to changes in interest rates.

At December 31, 2013, our two-year cumulative gap was a negative 1.1% of total assets, indicating we were slightly liability sensitive to changes in interest rates over a two-year period. During 2013, we have continued to position ourselves for an eventual rise in interest rates primarily by entering into a series of longer-term, fixed-rate advances with the FHLB, which total $5.2 billion at December 31, 2013. Although we believe we are effectively managing our current exposure to changes in interest rates, we may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, the future level of loan repayments, purchases of investment securities, and changes in other assets.

The gap results presented could vary substantially if different assumptions were to be used or if actual experience were to differ from the assumptions used in the preparation of the gap analysis. Furthermore, the gap analysis provides a static view of interest rate risk exposure at a specific point in time and offers only an approximate estimate of the relative sensitivity of assets and liabilities to changes in market rates, the impact of

certain optionalities embedded in our balance sheet such as contractual caps and floors, and growth trends in assets and liabilities. Accordingly, we combine the use of gap analysis with the use of a net interest income simulation model that provides a dynamic assessment of interest rate sensitivity.

Net Interest Income Simulation. We use a simulation model to measure and evaluate potential changes in our contractual net interest income, which excludes the impact of purchase accounting. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. Our net interest income simulation model incorporates various assumptions, which management believes to be reasonable but which may have a significant impact on results such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) repricing characteristics for market rate sensitive instruments on and off the balance sheet, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate floors, periodic loan caps and life time loan caps, and (7) overall growth and repayment rates and product mix of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate ALM strategies.

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning December 31, 2013, are presented in the following table. The projections assume both (a) parallel shifts upward of 100, 200, 300 and 400 basis points and parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In the current interest rate environment, a downward shift of 300 and 400 basis points does not provide meaningful results that can be utilized by management. In addition, in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
	Twelve Months Ending December 31, 2014	Twelve Months Ending December 31, 2015
Change in Market Interest Rates		
Shock:		
+400 basis points immediately	5.6%	21.9%
+300 basis points immediately	4.5%	17.4%
+200 basis points immediately	3.2%	12.7%
+100 basis points immediately	1.7%	6.3%
-100 basis points immediately	(1.4)%	(3.8)%
-200 basis points immediately	(3.1)%	(7.2)%
Ramp:		
+400 basis points over the next 12 months	0.4%	15.9%
+300 basis points over the next 12 months	0.4%	12.8%
+200 basis points over next 12 months	0.3%	9.2%
+100 basis points over next 12 months	(0.1)%	4.5%
-100 basis points over next 12 months	(1.2)%	(4.6)%
-200 basis points over next 12 months	(1.3)%	(5.9)%

The simulation results generally indicate a mildly asset sensitive position over the next two years, as we benefit in a hypothetical rising rate environment from actual increases in longer-term fixed-rate funding and higher checking balances, net of any hypothetical migration, particularly in year two. We also benefit in such a

hypothetical scenario from certain adjustable-rate loans, currently at or beneath their contractual floors, which would begin to reprice upward given an increase in interest rates, as well as projected new loan volume modeled with increasing contractual rates. In a hypothetical declining rate environment in which interest rates drop even lower than where they are currently, we experience a reduction in net interest income as variable funding sources, such as money market savings and checking deposits, reach natural floors while average yields on interest-earning assets continue to decline. In addition, if the current interest rates, particularly medium and longer-term rates, remain low for a prolonged period of time, we may experience further compression in our net interest margin as our weighted average loan yield continues to decline and deposit costs remain near their natural floors. Generally, simulation results depict the effect of changes in interest rates more rapidly in scenarios of immediate rate changes than in scenarios in which rates change over an extended period due primarily to differences in assumptions such as repayment speeds and yields on projected new loan volume.

The results of this earnings simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from that projected, our net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities reprice faster than expected or faster than our assets reprice. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Furthermore, the results do not take into account the impact of changes in loan prepayment rates on loan discount accretion. If prepayment rates were to increase on loans with discounts, we would recognize any remaining loan discounts into interest income at a faster rate. This would result in a current period offset to declining net interest income caused by higher coupon loans prepaying.

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.

FIRST REPUBLIC BANK
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Item 8. Financial Statements and Supplementary Data

($ in thousands, except per share amounts)	Year Ended December 31, 2013	2012	2011
Interest income:			
Loans	$ 1,193,931	$ 1,160,522	$ 1,104,504
Investments	159,086	124,040	73,178
Cash and cash equivalents	3,001	2,644	5,275
Total interest income	1,356,018	1,287,206	1,182,957
Interest expense:			
Deposits	60,817	56,981	83,268
Borrowings	71,026	57,205	33,950
Total interest expense	131,843	114,186	117,218
Net interest income	1,224,175	1,173,020	1,065,739
Provision for loan losses	36,969	63,436	52,329
Net interest income after provision for loan losses	1,187,206	1,109,584	1,013,410
Noninterest income:			
Investment advisory fees	112,121	59,054	47,030
Brokerage and investment fees	11,892	10,682	9,496
Trust fees	9,588	8,715	6,737
Foreign exchange fee income	13,912	11,504	10,235
Deposit fees	18,258	13,994	14,368
Gain on sale of loans	36,290	38,831	6,417
Loan servicing fees, net	7,230	(5,307)	(168)
Loan and related fees	7,515	6,291	4,951
Income from investments in life insurance	24,365	22,186	16,143
Other income	3,179	2,784	2,721
Total noninterest income	244,350	168,734	117,930
Noninterest expense:			
Salaries and employee benefits	402,222	339,656	275,086
Occupancy	91,120	83,648	67,609
Information systems	79,955	72,508	57,695
FDIC and other deposit assessments	27,976	24,386	23,910
Advertising and marketing	25,459	25,120	28,812
Professional fees	22,488	19,848	16,359
Amortization of intangibles	26,147	20,472	22,723
Other expenses	92,630	91,333	74,494
Total noninterest expense	767,997	676,971	566,688
Income before provision for income taxes	663,559	601,347	564,652
Provision for income taxes	201,489	198,645	205,659
Net income before noncontrolling interests	462,070	402,702	358,993
Less: Net income from noncontrolling interests	—	1,538	4,605
First Republic Bank net income	462,070	401,164	354,388
Dividends on preferred stock and other	40,671	31,943	—
Net income available to common shareholders	$ 421,399	$ 369,221	$ 354,388
Net income before noncontrolling interests	$ 462,070	$ 402,702	$ 358,993
Other comprehensive income (loss), net of tax:			
Net unrealized gain (loss) on securities available-for-sale	(18,839)	29,702	4,197
Reclassification of gain on securities available-for-sale to net income	(305)	(702)	(458)
Net unrealized loss on cash flow hedges	—	—	(4,249)
Reclassification of loss on cash flow hedges to net income	1,039	1,190	1,618
Other comprehensive income (loss)	(18,105)	30,190	1,108
Comprehensive income before noncontrolling interests	443,965	432,892	360,101
Less: Comprehensive income from noncontrolling interests	—	1,538	4,605
First Republic Bank comprehensive income	$ 443,965	$ 431,354	$ 355,496
Basic earnings per common share	$ 3.21	$ 2.84	$ 2.75
Diluted earnings per common share	$ 3.10	$ 2.75	$ 2.67
Dividends per common share	$ 0.36	$ 0.30	$ —

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
BALANCE SHEETS

(in thousands, except share amounts)	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 807,885	$ 602,264
Securities purchased under agreements to resell	100	30,901
Investment securities available-for-sale	1,571,206	960,433
Investment securities held-to-maturity (fair value of $3,235,912 and $2,773,398 at December 31, 2013 and 2012, respectively)	3,252,534	2,545,189
Loans	34,000,548	27,986,759
Less: Allowance for loan losses	(153,005)	(129,889)
Loans, net	33,847,543	27,856,870
Loans held for sale	58,759	204,631
Investments in life insurance	766,291	701,672
Tax credit investments	688,870	480,686
Prepaid expenses and other assets	680,756	581,162
Premises, equipment and leasehold improvements, net	166,544	142,201
Goodwill	106,549	106,549
Other intangible assets	132,745	158,892
Mortgage servicing rights	29,781	17,786
Other real estate owned	3,200	—
Total Assets	$42,112,763	$34,389,236
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking accounts	$ 8,859,276	$ 8,544,472
Interest-bearing checking accounts	7,325,235	5,408,325
Money Market (MM) checking accounts	4,966,626	4,104,791
MM savings and passbooks	7,025,686	6,064,629
Certificates of deposit	3,905,893	2,966,030
Total Deposits	32,082,716	27,088,247
Short-term borrowings	—	75,000
Long-term debt	5,150,000	3,150,000
Debt related to variable interest entities	43,132	56,450
Other liabilities	676,868	619,436
Total Liabilities	37,952,716	30,989,133
Equity:		
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 889,525 and 499,525 shares issued and outstanding at December 31, 2013 and 2012, respectively	889,525	499,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 132,768,437 and 131,273,485 shares issued and outstanding at December 31, 2013 and 2012, respectively	1,328	1,313
Additional paid-in capital	2,042,027	2,027,578
Retained earnings	1,213,896	840,311
Accumulated other comprehensive income	13,271	31,376
Total Shareholders' Equity	4,160,047	3,400,103
Total Liabilities and Shareholders' Equity	$42,112,763	$34,389,236

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CHANGES IN EQUITY

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total First Republic Bank Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2010	**128,858,334**	**$ —**	**$1,289**	**$1,994,457**	**$ 142,362**	**$ 78**	**$2,138,186**	**$ 86,570**	**$2,224,756**
Cumulative effect from change in accounting for tax credit investments	—	—	—	—	567	—	567	—	567
Net income	—	—	—	—	354,388	—	354,388	4,605	358,993
Other comprehensive income	—	—	—	—	—	1,108	1,108	—	1,108
Stock award compensation expense	—	—	—	23,661	—	—	23,661	—	23,661
Net issuance of common stock under stock plans	513,624	—	5	(1,290)	—	—	(1,285)	—	(1,285)
Excess tax benefits on stock compensation	—	—	—	4,694	—	—	4,694	—	4,694
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	—	(690)	—	—	(690)	(9,310)	(10,000)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(4,605)	(4,605)
Balance at December 31, 2011	**129,371,958**	**—**	**1,294**	**2,020,832**	**497,317**	**1,186**	**2,520,629**	**77,260**	**2,597,889**
Net income	—	—	—	—	401,164	—	401,164	1,538	402,702
Other comprehensive income	—	—	—	—	—	30,190	30,190	—	30,190
Issuance of preferred stock, net	—	499,525	—	(15,940)	—	—	483,585	—	483,585
Stock award compensation expense	—	—	—	21,626	—	—	21,626	—	21,626
Net issuance of common stock under stock plans	1,901,527	—	19	1,257	—	—	1,276	—	1,276
Excess tax benefits on stock compensation	—	—	—	12,754	—	—	12,754	—	12,754
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	—	(12,951)	—	—	(12,951)	(77,260)	(90,211)
Dividends on preferred stock	—	—	—	—	(18,743)	—	(18,743)	—	(18,743)
Dividends on common stock	—	—	—	—	(39,427)	—	(39,427)	—	(39,427)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(1,538)	(1,538)
Balance at December 31, 2012	**131,273,485**	**499,525**	**1,313**	**2,027,578**	**840,311**	**31,376**	**3,400,103**	**—**	**3,400,103**
Net income	—	—	—	—	462,070	—	462,070	—	462,070
Other comprehensive loss	—	—	—	—	—	(18,105)	(18,105)	—	(18,105)
Issuance of preferred stock, net	—	390,000	—	(12,051)	—	—	377,949	—	377,949
Stock award compensation expense	—	—	—	27,234	—	—	27,234	—	27,234
Net issuance of common stock under stock plans	1,494,952	—	15	(31,994)	—	—	(31,979)	—	(31,979)
Excess tax benefits on stock compensation	—	—	—	31,260	—	—	31,260	—	31,260
Dividends on preferred stock	—	—	—	—	(40,671)	—	(40,671)	—	(40,671)
Dividends on common stock	—	—	—	—	(47,814)	—	(47,814)	—	(47,814)
Balance at December 31, 2013	**132,768,437**	**$889,525**	**$1,328**	**$2,042,027**	**$1,213,896**	**$ 13,271**	**$4,160,047**	**$ —**	**$4,160,047**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS

($ in thousands)	Year Ended December 31, 2013	2012	2011
Operating Activities:			
Net income before noncontrolling interests	$ 462,070	$ 402,702	$ 358,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	36,969	63,436	52,329
Accretion of loan discounts	(111,682)	(162,018)	(184,921)
Depreciation and amortization	54,638	35,139	(7,878)
Amortization of mortgage servicing rights	9,024	8,473	7,134
(Reversal of) provision for mortgage servicing rights in excess of fair value, net	(1,876)	7,209	3,133
Net change in loans held for sale	172,910	(49,340)	(105,885)
Deferred income taxes	12,162	(22,730)	(59,773)
Gain on sale of loans	(36,290)	(38,831)	(6,417)
Other net (gains) losses	(531)	1,740	(161)
Noncash cost of stock awards	27,234	21,626	23,661
Excess tax benefits on stock compensation	(31,260)	(12,754)	(4,694)
Decrease (increase) in other assets	32,718	30,909	(44,884)
(Decrease) increase in other liabilities	(63,865)	152,631	36,191
Net Cash Provided by Operating Activities	562,221	438,192	66,828
Investing Activities:			
Loan originations, net of principal collections	(6,937,014)	(6,385,310)	(3,905,912)
Loans purchased	(207,319)	(24,595)	(89,846)
Loans sold	1,140,183	1,104,233	316,433
Purchases of securities available-for-sale	(814,215)	(307,457)	(825,562)
Proceeds from sales/calls/maturity of securities available-for-sale	240,372	111,892	181,793
Purchases of securities held-to-maturity	(763,284)	(476,147)	(1,120,754)
Proceeds from sales/calls/maturity of securities held-to-maturity	57,575	25,188	4,486
Purchases of FHLB stock	(120,414)	(45,744)	(94,000)
Proceeds from redemptions of FHLB stock	40,655	—	5,653
Purchases of investments in life insurance	(40,000)	(93,000)	(177,783)
Net change in securities purchased under agreements to resell	30,801	(26,011)	(4,890)
Net change in tax credit investments	(166,853)	(129,177)	(74,095)
Additions to premises, equipment and leasehold improvements, net	(60,580)	(55,061)	(46,207)
Proceeds from sales of other assets	—	5,575	2,468
Cash paid for acquisition	—	(126,313)	—
Net Cash Used for Investing Activities	(7,600,093)	(6,421,927)	(5,828,216)
Financing Activities:			
Net increase in deposits	5,006,735	4,648,520	3,277,568
Net (decrease) increase in short-term borrowings	(75,000)	(25,000)	100,000
Proceeds from long-term FHLB advances	2,000,000	1,050,000	1,500,000
Repayment of subordinated notes	—	(63,770)	—
Decrease in debt related to variable interest entity	(13,318)	(15,573)	(8,394)
Net proceeds from issuance of preferred stock	377,949	483,585	—
Proceeds from issuance of common stock under employee stock purchase plan	2,507	1,660	1,056
Proceeds from stock options exercised	1,845	12,962	3,774
Excess tax benefits on stock compensation	31,260	12,754	4,694
Redemption of noncontrolling interests in subsidiary's preferred stock	—	(90,211)	(10,000)
Dividends on preferred stock	(40,671)	(18,743)	—
Dividends on common stock	(47,814)	(39,427)	—
Dividends to noncontrolling interests	—	(1,538)	(4,605)
Net Cash Provided by Financing Activities	7,243,493	5,955,219	4,864,093
Increase (Decrease) in Cash and Cash Equivalents	205,621	(28,516)	(897,295)
Cash and Cash Equivalents at the Beginning of Period	602,264	630,780	1,528,075
Cash and Cash Equivalents at the End of Period	$ 807,885	$ 602,264	$ 630,780
Supplemental Disclosure of Cash Flow Items			
Cash paid during period:			
Interest	$ 141,451	$ 143,980	$ 174,013
Income taxes	$ 122,129	$ 179,089	$ 266,861
Transfer of loans to held for sale	$ 1,150,941	$ 916,286	$ 461,867
Transfer of loans to securities available-for-sale	$ 76,964	$ —	$ —
Transfer of repossessed assets from loans to other assets	$ 3,353	$ 1,966	$ 5,744

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
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 over 28 years and the current legal entity has been operating since July 1, 2010.

Our consolidated financial statements include the accounts of First Republic and its wholly-owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Trust Company of Delaware LLC ("FRTC Delaware") and First Republic Lending Corporation ("FRLC"). The consolidated financial statements also include the accounts of First Republic Preferred Capital Corporation ("FRPCC"), which merged into FRLC during the third quarter of 2013. FRLC was formerly First Republic Preferred Capital Corporation II ("FRPCC II") until May 10, 2011. 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.

On February 28, 2012, FRPCC redeemed all of its outstanding shares of Series A preferred stock and on June 29, 2012, FRPCC redeemed all of its outstanding shares of Series D preferred stock, both with regulatory approval. The amount paid to non-affiliate holders of the Series A preferred stock of FRPCC was approximately $30.2 million for the liquidation preference and the redemption premium. The amount paid to holders of the Series D preferred stock of FRPCC was $60.0 million for the liquidation preference, which exceeded the carrying value by $13.2 million, and reduced net income available to common shareholders by $0.10 per share in 2012. On May 10, 2011, FRPCC II redeemed all of its outstanding shares of preferred stock, with regulatory approval.

Prior to redemption, FRPCC's and FRPCC II's outstanding preferred stock were reported as noncontrolling interests within total equity on the balance sheet. The dividends on FRPCC's and FRPCC II's preferred stock are reported as net income from noncontrolling interests in First Republic's statement of income, which is deducted from First Republic's consolidated net income in 2012 and 2011.

Nature of Operations

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

First Republic originates real estate secured loans and other loans for retention in its loan portfolio. 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.

First Republic offers its clients various wealth management services. First Republic provides investment advisory services through FRIM, which earns fee income from the management of equity, fixed income, balanced and alternative investments for its clients. First Republic Trust Company, a division of First Republic, and FRTC Delaware, provide trust and custody services. FRSC is a registered broker-dealer that performs

brokerage and investment activities for clients. The Bank offers money market mutual funds to clients through third-party providers and also conducts foreign exchange activities on behalf of customers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates subject to change include, but are not limited to: the allowance for loan losses; valuation of investment securities; mortgage servicing rights; goodwill; identifiable intangible assets; and deferred income taxes.

Reclassifications

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

Adjustments from the Adoption of New Accounting Guidance

The Bank's financial statements have been adjusted for all periods to reflect the adoption of new accounting guidance for tax credit investments. Refer to "*—Accounting Standards Adopted in 2013*" and Note 2, "Tax Credit Investments" for additional information.

Investment Securities

The Bank follows Accounting Standards Codification ("ASC") 320, "Investments—Debt and Equity Securities," which addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities that the Bank might not hold until maturity and marketable equity securities are classified as securities available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as accumulated other comprehensive income, which is included in equity.

Premiums and discounts are amortized or accreted over the contractual life of the security as an adjustment to the yield using the interest method. For certain types of securities, prepayments are considered in determining the effective yield of the individual security. Unrealized and realized gains and losses on investment securities are computed based on the cost basis of securities specifically identified.

The Bank conducts other-than-temporary impairment ("OTTI") analysis on a quarterly basis. The initial indicator of OTTI for both debt and equity securities is a decline in market value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below its amortized cost basis, the Bank recognizes OTTI if the Bank (1) has the intent to sell the security, (2) it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis, or (3) the Bank does not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of the cash flows expected to be collected is less than the amortized cost, OTTI is considered to have occurred.

If the Bank intends to sell the debt security, or if it is more likely than not that the Bank will be required to sell the debt security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and the fair value of the security. For debt securities that are considered other-than-temporarily impaired that the Bank does not intend to sell or it is more likely than not that the Bank will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. The measurement of the credit loss component is equal to the difference between the debt security's cost basis and the present value of its expected future cash flows discounted at the security's effective yield.

A decline in the fair value of a marketable equity security below cost is evaluated for the Bank's intent to sell, the severity and duration of the impairment, and the financial condition of the investee. If the Bank intends to sell the security, or if evidence exists that impairment is other-than-temporary, an OTTI write-down is recognized in earnings equal to the entire difference between the cost and the fair value of the security.

Loans

Loans are reported at their outstanding principal balances net of any charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. On July 1, 2010, in connection with the re-establishment of First Republic as an independent institution, loan discounts from purchase accounting were recorded and are included in the basis of the loans.

Interest income from loans is recognized in the month earned. In accordance with ASC 310-20, "Nonrefundable Fees and Costs," loan origination fees and direct loan origination costs are deferred and amortized as a yield adjustment over the contractual life of each loan using a level yield or straight-line methodology, depending upon the type of loan. Loan discounts established in purchase accounting on July 1, 2010 are also accreted as a yield adjustment over the contractual life of each loan using a level yield or straight-line methodology, depending upon the type of loan. If a loan prepays prior to maturity, the remaining loan discount is recognized in interest income at the time of repayment.

Loans are placed on nonaccrual status when principal or interest payments are 90 days or more past due, except for single family loans that are well secured and in the process of collection, or earlier when management determines that collection of principal or interest is unlikely. When a loan is placed on nonaccrual status, the Bank reverses accrued unpaid interest receivable against interest income and accounts for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. The Bank may return a loan to accrual status when principal and interest payments are current, a satisfactory payment history is established and collectibility improves or the loan otherwise becomes well secured and is in the process of collection.

Allowance for Loan Losses and Loan Charge-Offs

The Bank reviews and adjusts the allowance for loan losses on a quarterly basis. It is the Bank's policy to promptly charge off balances that are deemed uncollectible. The Bank evaluates any allowance for loan losses that would be required on the loans recorded at fair value in purchase accounting by evaluating whether the loans had experienced a deterioration in credit since the acquisition date. If the loan had experienced a credit deterioration, the Bank provides an allowance by comparing any reserve required to the basis in the loans, including the remaining loan discounts. In addition, the Bank provides for any loan losses associated with new loan originations based upon our assessment of credit losses inherent in the portfolio.

The principal sources of guidance on accounting for impairment in a loan portfolio are ASC 450, "Contingencies," and ASC 310-10-35, "Receivables—Subsequent Measurement." Under the provisions of ASC 310-10-35, a loan is considered impaired when, based on current information and events, it is probable that a

creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Nonaccrual loans with a balance greater than or equal to $1 million or loans modified in a troubled debt restructuring are generally considered impaired. The Bank measures impairment of a loan that is collateral dependent based on the fair value of the underlying collateral, net of selling costs. For a loan that is not collateral dependent, the Bank measures impairment using the present value of expected future cash flows, discounted at the instrument's effective interest rate. If the fair value of the collateral or the present value of expected future cash flows is less than the recorded investment in the loan, the Bank recognizes impairment by recording a charge-off or creating a valuation allowance.

All other loans, including individually evaluated loans determined not to be impaired under ASC 310-10-35, are included in a group of loans that are evaluated for estimated losses under ASC 450. For these non-impaired loans, the Bank segments its portfolio into groups that have similar risk characteristics. For each group, credit losses inherent in the portfolio are estimated based on the Bank's and industry's historical loss experience, adjusted for changes in trends, conditions and other relevant factors that affect the repayment of the loans as of the evaluation date.

The Bank also maintains an unallocated reserve to provide for probable losses that have been incurred as of the reporting date, but not reflected in the allocated allowance. The unallocated allowance addresses qualitative factors consistent with the Bank's analysis of the level of risks inherent in the loan portfolio. The unallocated allowance includes the risk of losses attributable to national or local economic or industry trends, the Bank's lending management and staff, other factors and imprecision in the analysis process.

Loans Accounted for Under ASC 310-30 (Purchased Credit-Impaired Loans)

Loans acquired with evidence of credit deterioration for which it is probable at purchase that the Bank will be unable to collect all contractually required payments are accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." Certain loans acquired in connection with the Bank's re-establishment as an independent institution on July 1, 2010 were in the scope of ASC 310-30. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, loan grade, refreshed borrower credit scores and refreshed loan-to-value ratio ("LTV"). ASC 310-30 requires that purchased credit-impaired loans be recorded at fair value and prohibits carryover of the related allowance for loan losses.

The initial fair values for loans within the scope of ASC 310-30 are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. The Bank estimates the cash flows expected to be collected at acquisition using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of key assumptions, such as default rates, loss severity and payment speeds.

Under ASC 310-30, the excess of cash flows at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments at acquisition and cash flows expected to be collected, considering the impact of prepayments, is referred to as the nonaccretable difference. Subsequent decreases to expected principal cash flows will result in a charge to provision for loan losses and a corresponding increase to the allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase, which will result in an increase in interest income over the remaining life of the loan or pool of loans.

Other Real Estate Owned

Real estate acquired through foreclosure is recorded at the lower of cost or fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequent declines in value are recorded through an expense to the income statement. The Bank records costs related to holding real estate as expenses when incurred.

Investments in Life Insurance

The Bank initially records investments in bank-owned life insurance at cost and subsequently adjusts the carrying value of the investment quarterly to its cash surrender value. The Bank recognizes the resulting income or loss in noninterest income.

Selling and Servicing Loans

The Bank sells loans on a non-recourse basis to generate servicing income, to provide funds for additional lending and for asset/liability management purposes. Loans that are sold include loans originated for sale to investors under commitments executed prior to origination, existing loans that are sold through bulk sales and loans sold through securitizations. The Bank classifies loans as held for sale when the Bank has the intent to sell, is waiting on a pre-approved investor purchase or is negotiating with a specific investor for the sale of specific loans that meet selected criteria. Loans held for sale include net deferred loan fees or costs and are carried at the lower of aggregate cost or fair value.

The Bank recognizes a sale only when consideration is received and control is transferred to the buyer. The Bank retains the mortgage servicing rights (“MSRs”) on substantially all loans sold. The Bank’s class of servicing rights consists of loans sold that are secured by real estate. MSRs in loans sold are initially measured at fair value at the date of transfer.

To determine the fair value of MSRs, the Bank uses a valuation model that calculates the present value of estimated future net servicing income. The Bank uses assumptions in the valuation model that market participants use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fees and ancillary income.

MSRs are reported at the lower of amortized cost or fair value. MSRs are amortized in proportion to and over the period of estimated net servicing income. To calculate the initial fair value of MSRs and, subsequently, to measure impairment, the Bank stratifies MSRs based on one or more of the predominant risk characteristics of the underlying loans. The Bank evaluates impairment of MSRs for a stratum periodically based on their current fair value, actual prepayment experience and other market factors. If the fair value of MSRs for a stratum is less than the amortized cost, the Bank records a provision for a valuation allowance. Subsequently, the Bank adjusts the valuation allowance for changes in fair value to the extent that fair value does not exceed the amortized cost. The Bank evaluates at least quarterly the recoverability of the valuation allowance on MSRs. If the Bank determines that a portion of the valuation allowance is unrecoverable, primarily due to loan prepayments, the Bank records a direct write-down by reducing both the amortized cost of MSRs for a stratum and the related valuation allowance.

Goodwill and Other Identifiable Intangible Assets

The Bank records the cost of acquisitions based on the estimated fair values of the assets acquired and liabilities and noncontrolling interests assumed at the acquisition date. Goodwill represents the excess of the cost over the fair value of the net assets acquired. In addition, the Bank evaluates whether both identifiable and unidentifiable assets should be recorded in connection with business combinations.

In accordance with ASC 350-20, "Goodwill," the Bank evaluates goodwill for impairment annually at November 30 and on an interim basis if events or changes in circumstances indicate that its implied fair value is less than the carrying amount. Such an event or circumstance may include an adverse change in the business climate or market, a legal factor, an action by the regulators, introduction of or an increase in competition, or a loss of key personnel. In accordance with ASC 350-20, the Bank also has the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount before applying the two-step goodwill impairment test. In performing the quantitative impairment analysis, if the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and no further analysis is required. If the fair value of the reporting unit is less than its carrying amount, the Bank compares the implied fair value of goodwill to its carrying amount. If the implied fair value of goodwill is less than its carrying amount, goodwill is considered impaired and an impairment loss is recognized. The Bank would measure the impairment loss as the amount by which the carrying amount of goodwill exceeds its implied fair value.

Identifiable intangible assets related to core deposits, wealth management customer relationships and trade name/trademark are reported as other intangible assets. Core deposits and wealth management customer relationships are amortized over their useful lives not to exceed ten years. The Bank evaluates intangible assets associated with core deposits and wealth management customer relationships for impairment whenever circumstances indicate that the carrying amount may not be recoverable, in accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets." If the carrying amount is not recoverable and exceeds fair value, an impairment loss is recognized. The trade name/trademark is considered to have an indefinite useful life. In accordance with ASC 350-30, "General Intangibles Other Than Goodwill," the trade name/trademark is evaluated for impairment annually at November 30 and on an interim basis if events or changes in circumstances indicate that its fair value is less than the carrying amount. ASC 350-30 allows the Bank the option to first perform a qualitative assessment to determine whether the indefinite-lived intangible asset is impaired before determining its fair value. In performing the quantitative impairment analysis, if the fair value is less than the carrying amount, an impairment loss is recognized.

Premises, Equipment and Leasehold Improvements

Premises, equipment and leasehold improvements are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, which generally range from three to ten years, or the lease term, if the term is less than ten years.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, sources of taxable income in carry back periods and the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. The Bank will continue to evaluate the realizability of the deferred tax assets by assessing the need for a valuation allowance.

A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefits to recognize. The tax position is measured at the largest amount of benefit that is greater than

50% likely of being realized upon settlement. Interest and penalties are recognized as a component of income tax expense.

The Bank files a consolidated U.S. tax return and separate state and local tax returns.

Statement of Cash Flows

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from the Federal Reserve and commercial banks, and short-term investments such as federal funds sold or U.S. Treasury Bills with original maturity dates of ninety days or less.

Derivative Instruments and Hedging Activities

The Bank follows ASC 815, "Derivatives and Hedging," for the accounting and reporting of derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. On the date that the Bank enters into a derivative contract, the Bank designates the derivative contract as either a hedge of the fair value of a recognized asset or liability ("fair value" hedge), a hedge of the variability of cash flows related to a recognized asset or liability ("cash flow" hedge) or a contract that does not qualify for hedge accounting ("freestanding derivative"). The Bank records all derivatives at fair value as either other assets or other liabilities. The Bank accounts for changes in fair value of a derivative based on the designation, which is determined by its intended use.

For 2011, as part of its interest rate risk management strategy, the Bank utilized interest rate swaps to convert floating-rate deposits to fixed rates as a cash flow hedge. During 2013 and 2012, there were no derivative instruments in a fair value or cash flow hedging relationship.

The Bank has freestanding derivative assets and liabilities, which consist of foreign exchange contracts executed with customers in which the Bank offsets the customer exposure with another financial institution counterparty. The Bank does not retain significant foreign exchange risk. The Bank uses current market prices to determine the fair value of these contracts.

The Bank originates certain mortgage loans with the intention of selling these loans to investors. The Bank enters into commitments to originate the loans whereby the interest rate on the loan paid by the borrower is set prior to funding ("interest rate lock commitments"). Such interest rate lock commitments are accounted for as freestanding derivative instruments that do not qualify as hedges. However, the interest rate exposure is economically hedged by the forward loan sale commitment to the investor. The change in fair value of these freestanding derivatives is recognized in earnings. When the Bank funds the loan to the borrower, the Bank records the carrying value of the interest rate lock commitment at the funding date as an adjustment to the carrying value of the loan held for sale.

The Bank does not conduct proprietary trading activities in derivative instruments for its own accounts.

Share-Based Compensation

The Bank follows ASC 718, "Compensation—Stock Compensation," in accounting for its stock compensation plan. The Bank has awarded stock options, restricted stock units, performance stock units and restricted stock awards to its employees, officers and directors.

The Bank measures the compensation cost of stock options based on the fair value of the options at the grant date and recognizes compensation expense over the requisite service periods. Restricted stock units, performance

stock units and restricted stock awards are valued at the closing market price of the Bank's common stock at the date of grant and compensation expense is recognized over the vesting period.

Investment Advisory, Brokerage and Investment and Trust Fees

Investment advisory fees, brokerage and investment fees, and trust fees are generally based upon the market value of assets under management or administration or the volume of transactions and are recorded on the accrual basis over the period in which the service is provided.

Accounting Standards Adopted in 2013

During 2013, the following accounting pronouncements were adopted by the Bank:

- In December 2011, the Financial Accounting Standards Board ("FASB") issued amendments to ASC 210-20, "Balance Sheet—Offsetting," which require an entity with financial instruments and derivatives subject to offsetting or master netting arrangements to disclose both gross and net amounts of those assets and liabilities and the amounts offset in the statement of financial position. These amendments were issued to enable users of financial statements to understand the effect these arrangements have on the statement of financial position. In January 2013, the FASB issued a subsequent amendment, which clarified the scope of the new disclosure requirements. The additional disclosures required under these amendments apply to the Bank's foreign exchange contract derivatives. The amendments are effective for interim and annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of this new guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. The additional disclosures required under these amendments are included in Note 12, "Derivative Financial Instruments."
- In February 2013, the FASB issued amendments to ASC 220-10, "Comprehensive Income," which require an entity to disclose, either on the face of the financial statements or in the notes, additional information about reclassifications out of accumulated other comprehensive income, by component. The amendments are effective for interim and annual periods beginning after December 15, 2012 and are applied prospectively. The adoption of this new guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. The additional disclosures required under these amendments are included in Note 17, "Accumulated Other Comprehensive Income."
- In January 2014, the FASB issued amendments to ASC 323-740, "Investments—Equity Method and Joint Ventures—Income Taxes," which allow an entity with low income housing tax credit ("tax credit") investments to amortize the initial cost of the investment over its life using a proportional amortization method if certain criteria are met. Under the proportional amortization method, amortization expense recognized each period is based on the amount of tax credits and other tax benefits for the period as a percentage of expected total tax credits and other tax benefits of the investment. In addition, under the amendments, amortization expense is presented as a component of provision for income taxes on the statement of income, rather than within noninterest expense. For public companies, the amendments are effective for interim and annual periods beginning after December 15, 2014 and are applied retrospectively, with early adoption permitted. The Bank adopted this new guidance as of and for the year ended December 31, 2013 and adjusted prior period financial statements. See Note 2, "Tax Credit Investments" for the impact of the adoption on the Bank's financial condition and results of operations. The adoption of this new guidance did not have a significant impact on the Bank's cash flows. Additional disclosures required under these amendments are also included in Note 2.

Recent Accounting Pronouncements

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

- In July 2013, the FASB issued amendments to ASC 740-10, "Income Taxes," which require an entity with a net operating loss carryforward, a tax credit carryforward or a similar tax loss to present unrecognized tax benefits as a reduction in deferred tax assets in the statement of financial position when certain criteria are met. The amendments are effective for interim and annual periods beginning after December 15, 2013 and will be applied prospectively. Early adoption and retrospective application are permitted. The adoption of this new guidance is not expected to have a significant impact on the Bank's financial condition, results of operations or cash flows.
- In January 2014, the FASB issued amendments to ASC 310-40, "Receivables—Troubled Debt Restructurings by Creditors," which require an entity, who obtains physical possession of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable, to disclose both the carrying amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure. For public companies, the amendments are effective for interim and annual periods beginning after December 15, 2014 and will be applied on a modified retrospective or prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Bank's financial condition, results of operations, cash flows or disclosures.

Note 2. Tax Credit Investments

The Bank invests in low income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits.

The Bank adopted the amendments to ASC 323-740 as of and for the year ended December 31, 2013. The Bank has adjusted its prior period financial statements to apply the proportional amortization methodology in accounting for these investments. The change in amortization methodology resulted in relatively minor changes to the amount of amortization recognized in prior periods, which impacted the balance of tax credit investments and related current and deferred tax items on the balance sheets. In accordance with ASC 323-740, the tax credit investment amortization expense is now presented as a component of provision for income taxes. Previously, the amortization expense was included as noninterest expense. This change resulted in lower noninterest expense, increased income tax expense and an increased effective tax rate. See Note 19, "Income Taxes" for tax-related items that were impacted by this accounting change.

The following table summarizes the balance sheet and income statement amounts impacted by the change at the dates or for the years indicated:

($ in thousands)	December 31, 2012
Balance Sheet	
Tax credit investments	
As previously reported	$ 484,548
As reported under new guidance	480,686
Prepaid expenses and other assets	
As previously reported	575,741
As reported under new guidance	581,162
Retained earnings	
As previously reported	838,752
As reported under new guidance	$ 840,311

	Year Ended December 31,	
	2012	2011
Statement of Income		
Noninterest expense		
As previously reported	$ 697,844	$ 576,608
As reported under new guidance	676,971	566,688
Provision for income taxes		
As previously reported	176,464	198,039
As reported under new guidance	198,645	205,659
Net income		
As previously reported	402,472	352,088
As reported under new guidance	401,164	354,388
Basic EPS		
As previously reported	2.85	2.73
As reported under new guidance	2.84	2.75
Diluted EPS		
As previously reported	2.76	2.65
As reported under new guidance	$ 2.75	$ 2.67

The cumulative effect of the adoption of this guidance to retained earnings at December 31, 2010 was $567,000. (See Statements of Changes in Equity.)

The following table presents the balances of the Bank's tax credit investments and related unfunded commitments as of the dates indicated:

($ in thousands)	December 31, 2013	December 31, 2012
Tax credit investments	$ 688,870	$ 480,686
Unfunded commitments—tax credit investments	$ 371,874	$ 286,381

The Bank's unfunded commitments related to tax credit investments are estimated to be funded as follows:

($ in thousands)	December 31, 2013
Unfunded commitments:	
2014	$ 210,162
2015	103,982
2016	47,739
2017	1,443
2018	780
2019 and thereafter	7,768
Total	$ 371,874

The following table presents other information related to the Bank's tax credit investments for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Tax credits and other tax benefits recognized	$63,980	$38,110	$14,126
Tax credit amortization expense included in provision for income taxes	$44,162	$26,059	$ 8,936

The Bank did not recognize any impairment losses on tax credit investments during 2013, 2012 or 2011.

Note 3. Investment Securities

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

($ in thousands)	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ 47,225	$ 230	$ —	$ 47,455
Residential agency mortgage-backed securities ("MBS")	110,248	544	(1,889)	108,903
Residential non-agency MBS	15,182	—	(445)	14,737
Commercial MBS	562,109	31,362	(596)	592,875
Collateralized loan obligations	812,408	2	(6,439)	805,971
Marketable equity securities	480	785	—	1,265
Total	$ 1,547,652	$ 32,923	$ (9,369)	$ 1,571,206
Held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 3,027,132	$ 57,552	$ (75,369)	$ 3,009,315
Tax-exempt nonprofit debentures	170,678	1,251	(6,257)	165,672
Taxable municipal securities	53,181	6,125	—	59,306
Residential non-agency MBS	1,543	76	—	1,619
Total	$ 3,252,534	$ 65,004	$ (81,626)	$ 3,235,912

($ in thousands)	December 31, 2012 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ 47,218	$ 241	$ —	$ 47,459
Residential agency MBS	135,901	1,626	(141)	137,386
Residential non-agency MBS	17,650	11	—	17,661
Commercial MBS	534,847	54,814	—	589,661
Collateralized loan obligations	167,485	15	—	167,500
Marketable equity securities	480	286	—	766
Total	$ 903,581	$ 56,993	$ (141)	$ 960,433
Held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 2,269,526	$ 207,810	$ (1,821)	$ 2,475,515
Tax-exempt nonprofit debentures	221,306	8,678	—	229,984
Taxable municipal securities	53,222	13,493	—	66,715
Residential non-agency MBS	1,135	49	—	1,184
Total	$ 2,545,189	$ 230,030	$ (1,821)	$ 2,773,398

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 December 31, 2013 and 2012, the carrying value of investment securities pledged was $2.9 billion and $2.1 billion, respectively.

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 at the dates indicated:

	December 31, 2013					
	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
Available-for-sale:						
Residential agency MBS	$ (844)	$ 28,455	$(1,045)	$ 9,060	$ (1,889)	$ 37,515
Residential non-agency MBS	(445)	14,736	—	—	(445)	14,736
Commercial MBS	(596)	62,804	—	—	(596)	62,804
Collateralized loan obligations	(6,439)	741,994	—	—	(6,439)	741,994
Total	$ (8,324)	$ 847,989	$(1,045)	$ 9,060	$ (9,369)	$ 857,049
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$(67,012)	$1,330,479	$(8,357)	$59,957	$(75,369)	$1,390,436
Tax-exempt nonprofit debentures	(6,257)	74,314	—	—	(6,257)	74,314
Total	$(73,269)	$1,404,793	$(8,357)	$59,957	$(81,626)	$1,464,750

	December 31, 2012					
	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
Available-for-sale:						
Residential agency MBS	$ (141)	$ 15,030	$—	$—	$ (141)	$ 15,030
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$(1,821)	$106,220	$—	$—	$(1,821)	$106,220

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 unrealized losses on the Bank's investments in residential agency MBS are primarily due to the sharp increase in longer-term market interest rates that occurred in the middle of 2013. The Bank expects to continue to receive all contractual principal and interest payments. These investments are currently held in the available-for-sale portfolio, however, the Bank does not intend to sell these investments 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. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

The unrealized losses on the Bank's investments in collateralized loan obligations are primarily due to spread widening that occurred during the second half of 2013. The Bank expects to continue to receive all contractual principal and interest payments. These investments are currently held in the available-for-sale portfolio, however, the Bank does not intend to sell these investments 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. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Similar to the unrealized losses on the residential agency MBS portfolio noted above, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the increase in longer-term interest rates in the second quarter of 2013 that continued through the end of 2013 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 or if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual and interest payments. The Bank expects to continue to receive all contractual principal and interest payments. In addition, these securities are held in the held-to-maturity portfolio; the Bank does not intend to sell any of these investments and has concluded that it is more likely than not that it will not be required to sell the investments prior to recovery of the amortized cost basis. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

The unrealized losses on the Bank's investments in tax-exempt nonprofit debentures are due to both the increase in interest rates that occurred in the second quarter of 2013 and the perceived limited liquidity in this sector and not due to the credit quality of the issuers. The Bank monitors these securities regularly to determine if any changes in ratings have occurred or if the issuer has experienced any change in financial condition that may result in a potential loss of contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments. In addition, these securities are held in the held-to-maturity portfolio; the Bank does not intend to sell these investments and has concluded that it is more likely than not that

it will not be required to sell the investments prior to recovery of the amortized cost basis. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

There were no other-than-temporary impairment charges on securities during 2013. During 2012, the Bank recognized other-than-temporary impairment charges on one marketable equity security in the available-for-sale portfolio, which resulted in write-downs of $1.0 million included in earnings.

The fair values of the investment securities could decline in the future if the general economy deteriorates, credit ratings decline, the financial condition of the issuer deteriorates, interest rates increase or the liquidity for securities is limited. As a result, other-than-temporary impairments may occur in the future.

The following table presents proceeds received from sales of securities available-for-sale and gross realized gains on sales for the years indicated.

($ in thousands)	Year Ended December 31, 2013	2012	2011
Sales proceeds	$203,459	$ 58,798	$100,607
Gross realized gains	$ 1,341	$ 1,220	$ 796
Gross realized losses	$ (810)	$ —	$ —

During 2012, the Bank sold one tax-exempt municipal debt security that was classified as held-to-maturity. This security had a carrying value of $6.8 million. The Bank received proceeds from the sale of $7.2 million and recorded a gross realized gain of $450,000. The sale was in response to a significant deterioration in the creditworthiness of the issuer of this security. The Bank has the positive intent and ability to hold its remaining held-to-maturity securities until maturity, absent any unforeseen significant changes in circumstances.

The following table presents interest and dividend income on investments for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Interest income on tax-exempt securities	$112,537	$ 94,928	$ 59,957
Interest income on taxable securities	37,656	27,704	13,067
Dividend income on FHLB stock	8,893	1,408	154
Total	$159,086	$124,040	$ 73,178

The following table presents contractual maturities of debt securities available-for-sale and held-to-maturity at the dates indicated. Expected maturities of certain securities can differ from contractual maturities because borrowers have the right to call or prepay obligations prior to contractual maturity.

	December 31,			
	2013		2012	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-sale:				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	3,536	3,562	3,495	3,544
Due after five years through ten years	159,356	158,090	27,048	27,625
Due after ten years	1,384,280	1,408,289	872,558	928,498
Total debt securities	$ 1,547,172	$ 1,569,941	$ 903,101	$ 959,667
Held-to-maturity:				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	5,672	5,726	—	—
Due after five years through ten years	4,511	4,733	8,937	9,278
Due after ten years	3,242,351	3,225,453	2,536,252	2,764,120
Total debt securities	$ 3,252,534	$ 3,235,912	$ 2,545,189	$ 2,773,398

Note 4. 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 December 31, 2013, approximately 58% of the total loan portfolio was secured by California real estate, compared to 61% at December 31, 2012. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans. At December 31, 2013, approximately 70% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 77% at December 31, 2012.

FIRST REPUBLIC BANK
NOTES TO FINANCIAL STATEMENTS

The following tables present the major categories of loans outstanding, including purchased credit-impaired loans subject to ASC 310-30. The loans are presented with the contractual balance, net unaccreted purchase accounting discounts and net deferred fees and costs at the dates indicated:

($ in thousands)	December 31, 2013 Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 19,869,491	$ (121,944)	$ 42,363	$ 19,789,910
Home equity lines of credit	1,961,476	(11,756)	8,382	1,958,102
Multifamily (5+ units)	4,022,457	(17,465)	(9,250)	3,995,742
Commercial real estate	3,430,881	(49,586)	(8,409)	3,372,886
Single family construction	290,314	(527)	(2,230)	287,557
Multifamily/commercial construction	278,456	(60)	(4,284)	274,112
Total real estate mortgages	29,853,075	(201,338)	26,572	29,678,309
Commercial business	3,582,054	(16,648)	(5,571)	3,559,835
Other secured	397,878	(1,065)	319	397,132
Unsecured loans and lines of credit	202,197	(1,089)	55	201,163
Stock secured	163,650	(7)	466	164,109
Total other loans	4,345,779	(18,809)	(4,731)	4,322,239
Total loans	$ 34,198,854	$ (220,147)	$ 21,841	$ 34,000,548
Less:				
Allowance for loan losses				(153,005)
Loans, net				33,847,543
Single family loans held for sale				58,759
Total				$ 33,906,302

($ in thousands)	December 31, 2012 Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 16,672,924	$ (169,945)	$ 32,335	$ 16,535,314
Home equity lines of credit	1,887,604	(16,157)	6,560	1,878,007
Multifamily (5+ units)	3,006,946	(31,815)	(6,848)	2,968,283
Commercial real estate	2,909,201	(81,474)	(6,284)	2,821,443
Single family construction	234,213	(1,156)	(1,524)	231,533
Multifamily/commercial construction	171,268	(874)	(1,078)	169,316
Total real estate mortgages	24,882,156	(301,421)	23,161	24,603,896
Commercial business	2,600,151	(26,098)	(4,221)	2,569,832
Other secured	391,833	(2,626)	284	389,491
Unsecured loans and lines of credit	279,515	(2,232)	416	277,699
Stock secured	145,460	(27)	408	145,841
Total other loans	3,416,959	(30,983)	(3,113)	3,382,863
Total loans	$ 28,299,115	$ (332,404)	$ 20,048	$ 27,986,759
Less:				
Allowance for loan losses				(129,889)
Loans, net				27,856,870
Single family loans held for sale				204,631
Total				$ 28,061,501

The Bank had pledged $20.1 billion and $14.7 billion of loans to secure borrowings from the FHLB as of December 31, 2013 and 2012, respectively, although only approximately $6.4 billion and $4.2 billion, respectively, were required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At December 31, 2013 and 2012, purchased credit-impaired loans had an unpaid principal balance of $123.3 million and $201.5 million, respectively, and a carrying value of $109.9 million and $179.2 million, respectively.

The Bank recorded no reductions to the nonaccretable difference for charge-offs of loan balances during 2013. The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances $165,000 and $1.8 million for 2012 and 2011, respectively.

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

	At or for the Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Accretable yield:			
Balance at beginning of period	$ 20,123	$ 24,368	$ 33,365
Accretion	(16,881)	(16,938)	(18,255)
Reclassification from nonaccretable difference for loans with improving cash flows	4,582	3,927	7,465
Increase in expected cash flows	8,390	9,647	6,323
Resolutions/payments in full	(5,994)	(881)	(4,530)
Balance at end of period	$ 10,220	$ 20,123	$ 24,368

	At or for the Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Allowance:			
Balance at beginning of period	$ 1,626	$ 461	$ —
Provision	1,414	2,482	1,547
Reversal of provision	(2,611)	(1,206)	(681)
Charge-offs	—	(124)	(405)
Recoveries	44	13	—
Balance at end of period	$ 473	$ 1,626	$ 461

Credit Quality

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of December 31, 2013 and 2012. Of the loans on nonaccrual status, at December 31, 2013, $38.4 million were current, compared to $33.8 million at December 31, 2012. The majority of these loans were current in accordance with their modified payment terms.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2013								
Single Family (1-4 units):								
Purchased non-impaired	$ 871	$ 739	$ 50	$ 1,660	$ 3,613,439	$ 3,615,099	$—	$ 1,393
Purchased non-impaired that subsequently became impaired	—	—	7,268	7,268	18,209	25,477	—	21,494
Purchased credit-impaired	26	—	186	212	13,094	13,306	—	186
Originated post June 30, 2010 non-impaired	92	—	475	567	16,135,015	16,135,582	—	475
Originated post June 30, 2010 impaired	—	—	446	446	—	446	—	446
	989	739	8,425	10,153	19,779,757	19,789,910	—	23,994
Home Equity Lines of Credit:								
Purchased non-impaired	—	—	671	671	745,048	745,719	—	1,218
Purchased non-impaired that subsequently became impaired	—	1,434	1,060	2,494	6,454	8,948	—	8,948
Purchased credit-impaired	—	—	291	291	3,962	4,253	—	291
Originated post June 30, 2010 non-impaired	—	250	—	250	1,196,821	1,197,071	—	—
Originated post June 30, 2010 impaired	—	—	—	—	2,111	2,111	—	2,111
	—	1,684	2,022	3,706	1,954,396	1,958,102	—	12,568
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	421,520	421,520	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,016	2,016	—	2,016
Purchased credit-impaired	—	—	—	—	32,090	32,090	—	485
Originated post June 30, 2010 non-impaired	—	—	—	—	3,540,116	3,540,116	—	—
	—	—	—	—	3,995,742	3,995,742	—	2,501
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	770,725	770,725	—	480
Purchased non-impaired that subsequently became impaired	—	—	—	—	6,892	6,892	—	6,892
Purchased credit-impaired	—	—	—	—	28,868	28,868	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	2,566,020	2,566,020	—	—
Originated post June 30, 2010 impaired	—	—	—	—	381	381	—	381
	—	—	—	—	3,372,886	3,372,886	—	7,753
Single Family Construction:								
Purchased non-impaired	—	—	—	—	6,607	6,607	—	—
Originated post June 30, 2010 non-impaired	1,767	—	—	1,767	275,735	277,502	—	—
Originated post June 30, 2010 impaired	—	—	3,448	3,448	—	3,448	—	3,448
	1,767	—	3,448	5,215	282,342	287,557	—	3,448

Loan Aging *(continued)*:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2013								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,090	1,090	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	273,022	273,022	—	—
	—	—	—	—	274,112	274,112	—	—
Commercial Business:								
Purchased non-impaired	—	—	—	—	313,151	313,151	—	782
Purchased credit-impaired	—	—	—	—	30,795	30,795	—	3,201
Originated post June 30, 2010 non-impaired	—	—	—	—	3,215,889	3,215,889	—	38
	—	—	—	—	3,559,835	3,559,835	—	4,021
Other Secured:								
Purchased non-impaired	—	—	—	—	36,655	36,655	—	—
Originated post June 30, 2010 non-impaired	228	587	—	815	359,662	360,477	—	—
	228	587	—	815	396,317	397,132	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	29	—	—	29	39,939	39,968	—	146
Purchased credit-impaired	—	—	—	—	625	625	—	61
Originated post June 30, 2010 non-impaired	440	—	—	440	160,130	160,570	—	—
	469	—	—	469	200,694	201,163	—	207
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,346	4,346	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	159,763	159,763	—	—
	—	—	—	—	164,109	164,109	—	—
Total	$3,453	$3,010	$13,895	$20,358	$33,980,190	$34,000,548	$—	$54,492

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2012								
Single Family (1-4 units):								
Purchased non-impaired	$2,206	$1,086	$ —	$3,292	$ 5,021,109	$ 5,024,401	$—	$ —
Purchased non-impaired that subsequently became impaired	—	—	1,695	1,695	17,749	19,444	—	15,275
Purchased credit-impaired	30	—	—	30	11,669	11,699	—	827
Originated post June 30, 2010 non-impaired	192	—	—	192	11,474,736	11,474,928	—	—
Originated post June 30, 2010 impaired	—	—	—	—	4,842	4,842	—	4,642
	2,428	1,086	1,695	5,209	16,530,105	16,535,314	—	20,744
Home Equity Lines of Credit:								
Purchased non-impaired	1,042	—	887	1,929	1,000,976	1,002,905	—	1,197
Purchased non-impaired that subsequently became impaired	—	—	—	—	4,312	4,312	—	3,240
Purchased credit-impaired	288	—	—	288	4,099	4,387	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	866,015	866,015	—	—
Originated post June 30, 2010 impaired	—	—	—	—	388	388	—	388
	1,330	—	887	2,217	1,875,790	1,878,007	—	4,825
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	701,137	701,137	—	666
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,141	2,141	—	2,141
Purchased credit-impaired	—	—	—	—	63,841	63,841	—	528
Originated post June 30, 2010 non-impaired	—	—	—	—	2,201,164	2,201,164	—	—
	—	—	—	—	2,968,283	2,968,283	—	3,335
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	1,074,895	1,074,895	—	240
Purchased non-impaired that subsequently became impaired	—	—	—	—	6,359	6,359	—	6,359
Purchased credit-impaired	—	—	—	—	61,599	61,599	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	1,678,590	1,678,590	—	—
	—	—	—	—	2,821,443	2,821,443	—	6,599
Single Family Construction:								
Purchased non-impaired	—	—	—	—	14,555	14,555	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	213,530	213,530	—	—
Originated post June 30, 2010 impaired	3,448	—	—	3,448	—	3,448	—	—
	3,448	—	—	3,448	228,085	231,533	—	—

Loan Aging *(continued):*

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2012								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	10,195	10,195	—	—
Purchased credit-impaired	—	—	—	—	1,742	1,742	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	157,379	157,379	—	—
	—	—	—	—	169,316	169,316	—	—
Commercial Business:								
Purchased non-impaired	—	—	—	—	429,951	429,951	—	850
Purchased non-impaired that subsequently became impaired	—	—	8,489	8,489	338	8,827	—	8,489
Purchased credit-impaired	—	—	—	—	30,249	30,249	—	—
Originated post June 30, 2010 non-impaired	72	—	—	72	2,096,505	2,096,577	—	—
Originated post June 30, 2010 impaired	—	4,228	—	4,228	—	4,228	—	4,228
	72	4,228	8,489	12,789	2,557,043	2,569,832	—	13,567
Other Secured:								
Purchased non-impaired	—	—	—	—	52,253	52,253	—	—
Purchased credit-impaired	—	—	—	—	4,895	4,895	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	332,343	332,343	—	—
	—	—	—	—	389,491	389,491	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	55	1	—	56	46,381	46,437	—	—
Purchased credit-impaired	—	—	—	—	791	791	—	83
Originated post June 30, 2010 non-impaired	—	—	—	—	230,471	230,471	—	—
	55	1	—	56	277,643	277,699	—	83
Stock Secured:								
Purchased non-impaired	—	—	—	—	11,678	11,678	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	134,163	134,163	—	—
	—	—	—	—	145,841	145,841	—	—
Total	$7,333	$5,315	$11,071	$23,719	$27,963,040	$27,986,759	$—	$49,153

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

($ in thousands)	Year Ended December 31, 2013	2012	2011
Actual interest income recognized	$ 270	$ 37	$ 146
Interest income under original terms	$ 1,842	$ 1,295	$ 871

The majority of the Bank's loan portfolio is secured by real estate. A decline in real estate values can negatively impact our ability to recover our investment should the borrower become delinquent. We safeguard against this risk by rarely exceeding a loan-to-value ratio of 80% with respect to real estate lending. Loans secured by stock or other collateral may be adversely impacted by a downturn in the economy and other factors that could reduce the recoverability of our investment. Unsecured loans are dependent on the solvency of the borrower, which can deteriorate, leaving the Bank with a risk of loss.

In accordance with our procedures, we perform annual reviews of our larger multifamily, commercial real estate and commercial business loans. As part of these review procedures, we analyze recent financial statements of the property and/or borrower to determine the current level of occupancy, revenues and expenses and to investigate any deterioration in the value of the real estate collateral or in the borrower's financial condition. Upon completion, we update the grade assigned to each loan. We maintain a list of loans that receive additional attention if we believe there may be a potential credit risk.

For loans that are downgraded or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status. Additionally, we have an independent, third-party review performed on our loan grades and our credit administration functions each year. The results of the third-party review are presented to the Audit Committee of the board of directors. These asset review procedures provide management with additional information for assessing our asset quality. In addition, for business and personal loans that are not secured by real estate, we perform frequent evaluations and regular monitoring.

The Special Assets Committee is primarily responsible for review of loan grades, reserves and accrual status. Adversely classified loan asset grades are reviewed on a quarterly or more frequent basis. The Bank's internal loan grades apply to all loans and are as follows:

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

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

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

Doubtful—These loans have weaknesses that make collection or liquidation in full highly improbable. The possibility of some loss is extremely high, but because of certain important and reasonable specific pending

factors that may work to the advantage and strengthening of the loan, its classification as a loss is deferred until a more exact status may be determined.

The following tables present the recorded investment in loans, by credit quality indicator and by class, at December 31, 2013 and 2012:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2013					
Single Family (1-4 units):					
Purchased non-impaired	$ 3,590,440	$ 4,401	$ 20,258	$ —	$ 3,615,099
Purchased non-impaired that subsequently became impaired	—	—	25,477	—	25,477
Purchased credit-impaired	12,269	395	642	—	13,306
Originated post June 30, 2010 non-impaired	16,134,922	—	660	—	16,135,582
Originated post June 30, 2010 impaired	—	—	446	—	446
	19,737,631	4,796	47,483	—	19,789,910
Home Equity Lines of Credit:					
Purchased non-impaired	730,826	5,983	8,910	—	745,719
Purchased non-impaired that subsequently became impaired	—	—	8,839	109	8,948
Purchased credit-impaired	3,585	—	668	—	4,253
Originated post June 30, 2010 non-impaired	1,189,347	7,724	—	—	1,197,071
Originated post June 30, 2010 impaired	—	—	2,111	—	2,111
	1,923,758	13,707	20,528	109	1,958,102
Multifamily (5+ units):					
Purchased non-impaired	418,817	1,938	765	—	421,520
Purchased non-impaired that subsequently became impaired	—	—	2,016	—	2,016
Purchased credit-impaired	22,630	7,330	2,130	—	32,090
Originated post June 30, 2010 non-impaired	3,539,243	—	873	—	3,540,116
	3,980,690	9,268	5,784	—	3,995,742
Commercial Real Estate:					
Purchased non-impaired	724,558	36,078	10,089	—	770,725
Purchased non-impaired that subsequently became impaired	—	—	6,892	—	6,892
Purchased credit-impaired	9,611	2,571	16,686	—	28,868
Originated post June 30, 2010 non-impaired	2,556,591	6,834	2,595	—	2,566,020
Originated post June 30, 2010 impaired	—	—	381	—	381
	3,290,760	45,483	36,643	—	3,372,886
Single Family Construction:					
Purchased non-impaired	3,501	—	3,106	—	6,607
Originated post June 30, 2010 non-impaired	277,502	—	—	—	277,502
Originated post June 30, 2010 impaired	—	—	3,448	—	3,448
	281,003	—	6,554	—	287,557
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,090	—	1,090
Originated post June 30, 2010 non-impaired	269,228	3,794	—	—	273,022
	269,228	3,794	1,090	—	274,112
Commercial Business:					
Purchased non-impaired	278,474	27,948	6,531	198	313,151
Purchased credit-impaired	20,403	6,451	3,941	—	30,795
Originated post June 30, 2010 non-impaired	3,168,901	35,540	11,409	39	3,215,889
	3,467,778	69,939	21,881	237	3,559,835
Other Secured:					
Purchased non-impaired	36,655	—	—	—	36,655
Originated post June 30, 2010 non-impaired	359,991	176	310	—	360,477
	396,646	176	310	—	397,132
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	39,507	—	316	145	39,968
Purchased credit-impaired	564	—	61	—	625
Originated post June 30, 2010 non-impaired	160,324	—	246	—	160,570
	200,395	—	623	145	201,163
Stock Secured:					
Purchased non-impaired	4,346	—	—	—	4,346
Originated post June 30, 2010 non-impaired	159,763	—	—	—	159,763
	164,109	—	—	—	164,109
Total	$ 33,711,998	$ 147,163	$ 140,896	$ 491	$ 34,000,548

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2012					
Single Family (1-4 units):					
Purchased non-impaired	$ 4,990,055	$ 13,739	$ 20,607	$ —	$ 5,024,401
Purchased non-impaired that subsequently became impaired	—	—	19,444	—	19,444
Purchased credit-impaired	10,016	410	1,273	—	11,699
Originated post June 30, 2010 non-impaired	11,471,352	2,210	1,366	—	11,474,928
Originated post June 30, 2010 impaired	—	—	4,842	—	4,842
	16,471,423	16,359	47,532	—	16,535,314
Home Equity Lines of Credit:					
Purchased non-impaired	988,101	6,913	7,891	—	1,002,905
Purchased non-impaired that subsequently became impaired	—	—	4,312	—	4,312
Purchased credit-impaired	2,137	—	2,250	—	4,387
Originated post June 30, 2010 non-impaired	859,929	6,086	—	—	866,015
Originated post June 30, 2010 impaired	—	—	388	—	388
	1,850,167	12,999	14,841	—	1,878,007
Multifamily (5+ units):					
Purchased non-impaired	688,968	10,722	1,447	—	701,137
Purchased non-impaired that subsequently became impaired	—	—	2,141	—	2,141
Purchased credit-impaired	24,351	8,782	30,708	—	63,841
Originated post June 30, 2010 non-impaired	2,188,662	9,603	2,899	—	2,201,164
	2,901,981	29,107	37,195	—	2,968,283
Commercial Real Estate:					
Purchased non-impaired	1,023,660	28,444	22,791	—	1,074,895
Purchased non-impaired that subsequently became impaired	—	—	6,359	—	6,359
Purchased credit-impaired	13,664	21,077	26,858	—	61,599
Originated post June 30, 2010 non-impaired	1,672,363	6,227	—	—	1,678,590
	2,709,687	55,748	56,008	—	2,821,443
Single Family Construction:					
Purchased non-impaired	11,439	—	3,116	—	14,555
Originated post June 30, 2010 non-impaired	213,530	—	—	—	213,530
Originated post June 30, 2010 impaired	—	—	3,448	—	3,448
	224,969	—	6,564	—	231,533
Multifamily/Commercial Construction:					
Purchased non-impaired	10,195	—	—	—	10,195
Purchased credit-impaired	—	—	1,742	—	1,742
Originated post June 30, 2010 non-impaired	157,379	—	—	—	157,379
	167,574	—	1,742	—	169,316
Commercial Business:					
Purchased non-impaired	416,214	10,717	2,948	72	429,951
Purchased non-impaired that subsequently became impaired	—	—	338	8,489	8,827
Purchased credit-impaired	18,418	7,495	4,336	—	30,249
Originated post June 30, 2010 non-impaired	2,082,161	10,895	3,521	—	2,096,577
Originated post June 30, 2010 impaired	—	—	—	4,228	4,228
	2,516,793	29,107	11,143	12,789	2,569,832
Other Secured:					
Purchased non-impaired	52,253	—	—	—	52,253
Purchased credit-impaired	4,895	—	—	—	4,895
Originated post June 30, 2010 non-impaired	332,343	—	—	—	332,343
	389,491	—	—	—	389,491
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	46,054	71	312	—	46,437
Purchased credit-impaired	707	—	84	—	791
Originated post June 30, 2010 non-impaired	230,471	—	—	—	230,471
	277,232	71	396	—	277,699
Stock Secured:					
Purchased non-impaired	11,678	—	—	—	11,678
Originated post June 30, 2010 non-impaired	134,163	—	—	—	134,163
	145,841	—	—	—	145,841
Total	$ 27,655,158	$ 143,391	$ 175,421	$ 12,789	$ 27,986,759

Allowance for Loan Losses

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

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

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

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

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

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The following tables present an analysis of the allowance for loan losses, segregated by impairment method and by portfolio, at the dates or for the years indicated:

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
At or for the Year Ended December 31, 2013												
Allowance for loan losses:												
Beginning balance	$ 18,698	$ 4,902	$ 19,362	$ 16,827	$ 452	$ 1,140	$ 36,904	$ 6,505	$ 4,631	$ 468	$20,000	$ 129,889
Provision (reversal of provision)	4,405	1,645	(952)	(513)	96	477	27,419	(1,994)	(1,388)	89	7,685	36,969
Charge-offs	(153)	(1,076)	—	—	—	—	(12,157)	—	(993)	—	—	(14,379)
Recoveries	22	42	—	—	—	—	31	—	431	—	—	526
Ending balance	$ 22,972	$ 5,513	$ 18,410	$ 16,314	$ 548	$ 1,617	$ 52,197	$ 4,511	$ 2,681	$ 557	$27,685	$ 153,005
Ending balance: purchased loans evaluated collectively for impairment	$ 1,304	$ 1,372	$ 230	$ 923	$ 147	$ —	$ 1,885	$ —	$ 217	$ —	$ —	$ 6,078
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,173	$ 780	$ 20	$ 27	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,000
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 300	$ —	$ —	$ 173	$ —	$ —	$ —	$ —	$ 473
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 20,049	$ 3,354	$ 18,160	$ 14,721	$ 332	$ 1,617	$ 50,139	$ 4,511	$ 2,464	$ 557	$27,685	$ 143,589
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 7	$ —	$ 343	$ 69	$ —	$ —	$ —	$ —	$ —	$ —	$ 865
Loans:												
Ending balance	$19,789,910	$1,958,102	$3,995,742	$3,372,886	$287,557	$274,112	$3,559,835	$397,132	$201,163	$164,109		$34,000,548
Ending balance: purchased loans evaluated collectively for impairment	$ 3,615,099	$ 745,719	$ 421,520	$ 770,725	$ 6,607	$ 1,090	$ 313,151	$ 36,655	$ 39,968	$ 4,346		$ 5,954,880
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 25,477	$ 8,948	$ 2,016	$ 6,892	$ —	$ —	$ —	$ —	$ —	$ —		$ 43,333
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 13,306	$ 4,253	$ 32,090	$ 28,868	$ —	$ —	$ 30,795	$ —	$ 625	$ —		$ 109,937
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$16,135,582	$1,197,071	$3,540,116	$2,566,020	$277,502	$273,022	$3,215,889	$360,477	$160,570	$159,763		$27,886,012
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 2,111	$ —	$ 381	$ 3,448	$ —	$ —	$ —	$ —	$ —		$ 6,386

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Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
At or for the Year Ended December 31, 2012												
Allowance for loan losses:												
Beginning balance	$ 9,072	$ 3,352	$ 10,753	$ 6,462	$ 347	$ 850	$ 20,175	$ 2,917	$ 1,734	$ 317	$ 12,134	$ 68,113
Provision	10,117	1,860	8,985	10,365	105	290	16,904	3,588	3,205	151	7,866	63,436
Charge-offs	(544)	(321)	(384)	—	—	—	(237)	—	(335)	—	—	(1,821)
Recoveries	53	11	8	—	—	—	62	—	27	—	—	161
Ending balance	$ 18,698	$ 4,902	$ 19,362	$ 16,827	$ 452	$ 1,140	$ 36,904	$ 6,505	$ 4,631	$ 468	$ 20,000	$ 129,889
Ending balance: purchased loans evaluated collectively for impairment	$ 2,170	$ 1,805	$ 1,770	$ 2,069	$ 144	$ —	$ 1,005	$ —	$ 122	$ —	$ —	$ 9,085
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,605	$ 771	$ 181	$ 318	$ —	$ —	$ 1,984	$ —	$ —	$ —	$ —	$ 4,859
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 2	$ —	$ —	$ 1,549	$ —	$ —	$ 75	$ —	$ —	$ —	$ —	$ 1,626
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 14,702	$ 2,326	$ 17,411	$ 12,891	$ 282	$ 1,140	$ 32,783	$ 6,505	$ 4,509	$ 468	$ 20,000	$ 113,017
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 219	$ —	$ —	$ —	$ 26	$ —	$ 1,057	$ —	$ —	$ —	$ —	$ 1,302
Loans:												
Ending balance	$ 16,535,314	$ 1,878,007	$ 2,968,283	$ 2,821,443	$ 231,533	$ 169,316	$ 2,569,832	$ 389,491	$ 277,699	$ 145,841		$ 27,986,759
Ending balance: purchased loans evaluated collectively for impairment	$ 5,024,401	$ 1,002,905	$ 701,137	$ 1,074,895	$ 14,555	$ 10,195	$ 429,951	$ 52,253	$ 46,437	$ 11,678		$ 8,368,407
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 19,444	$ 4,312	$ 2,141	$ 6,359	$ —	$ —	$ 8,827	$ —	$ —	$ —		$ 41,083
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 11,699	$ 4,387	$ 63,841	$ 61,599	$ —	$ 1,742	$ 30,249	$ 4,895	$ 791	$ —		$ 179,203
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 11,474,928	$ 866,015	$ 2,201,164	$ 1,678,590	$ 213,530	$ 157,379	$ 2,096,577	$ 332,343	$ 230,471	$ 134,163		$ 19,385,160
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 4,842	$ 388	$ —	$ —	$ 3,448	$ —	$ 4,228	$ —	$ —	$ —		$ 12,906
At or for the Year Ended December 31, 2011												
Allowance for loan losses:												
Beginning balance	$ 2,010	$ 1,069	$ 1,922	$ 1,530	$ 67	$ 180	$ 7,658	$ 495	$ 360	$ 25	3,493	$ 18,809
Provision	8,693	2,635	8,831	4,932	280	670	13,395	2,422	1,538	292	8,641	52,329
Charge-offs	(1,631)	(352)	—	—	—	—	(878)	—	(164)	—	—	(3,025)
Recoveries	—	—	—	—	—	—	—	—	—	—	—	—
Ending balance	$ 9,072	$ 3,352	$ 10,753	$ 6,462	$ 347	$ 850	$ 20,175	$ 2,917	$ 1,734	$ 317	12,134	$ 68,113

The Bank evaluates reserves on unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, commercial business lines of credit and secured/unsecured lines of credit. In determining the level of reserve, the Bank determines the probability of funding for each portfolio segment using historical analysis regarding the amount of commitments that are typically outstanding over time. 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 $8.6 million and $8.1 million at December 31, 2013 and 2012, respectively.

The following table presents charge-off and allowance ratios at the dates or for the years indicated:

	At or for the Year Ended December 31,		
($ in thousands)	2013	2012	2011
Average total loans for the period	$ 30,369,778	$ 24,902,874	$ 19,852,913
Total loans at period end	$ 34,000,548	$ 27,986,759	$ 22,335,594
Ratios:			
Net charge-offs to:			
Average total loans	0.05%	0.01%	0.02%
Allowance for loan losses to:			
Total loans	0.45%	0.46%	0.30%
Nonaccruing loans	280.8%	264.3%	258.3%

Impaired Loans

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

Impaired Loans:

	Year Ended December 31, 2013		At December 31, 2013						
			Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):									
Purchased credit-impaired	$ 13,240	$ 1,045	$ 13,306	$ 15,085	$ 13,306	$ 15,085	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	21,532	134	25,477	26,138	12,233	12,635	13,244	13,503	1,173
Originated post June 30, 2010 impaired	1,791	3	446	448	—	—	446	448	446
	36,563	1,182	39,229	41,671	25,539	27,720	13,690	13,951	1,619
Home Equity Lines of Credit:									
Purchased credit-impaired	4,279	503	4,253	4,546	4,253	4,546	—	—	—
Purchased non-impaired that subsequently became impaired	6,908	9	8,948	9,043	3,837	3,901	5,111	5,142	780
Originated post June 30, 2010 impaired	1,683	—	2,111	2,116	—	—	2,111	2,116	7
	12,870	512	15,312	15,705	8,090	8,447	7,222	7,258	787
Multifamily (5+ units):									
Purchased credit-impaired	52,262	5,912	32,090	34,912	32,090	34,912	—	—	—
Purchased non-impaired that subsequently became impaired	2,080	—	2,016	2,146	—	—	2,016	2,146	20
	54,342	5,912	34,106	37,058	32,090	34,912	2,016	2,146	20
Commercial Real Estate:									
Purchased credit-impaired	44,806	6,286	28,868	33,589	20,075	22,972	8,793	10,617	300
Purchased non-impaired that subsequently became impaired	6,363	—	6,892	6,952	6,087	6,088	805	864	27
Originated post June 30, 2010 impaired	60	6	381	381	—	—	381	381	343
	51,229	6,292	36,141	40,922	26,162	29,060	9,979	11,862	670
Single Family Construction:									
Originated post June 30, 2010 impaired	3,448	73	3,448	3,448	—	—	3,448	3,448	69
Commercial Business:									
Purchased credit-impaired	31,709	2,602	30,795	34,339	23,898	26,361	6,897	7,978	173
Purchased non-impaired that subsequently became impaired	5,459	21	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	2,602	—	—	—	—	—	—	—	—
	39,770	2,623	30,795	34,339	23,898	26,361	6,897	7,978	173
Other Secured:									
Purchased credit-impaired	708	315	—	—	—	—	—	—	—
Unsecured Loans and Lines of Credit:									
Purchased credit-impaired	677	73	625	832	625	832	—	—	—
Total	$199,607	$16,982	$159,656	$173,975	$116,404	$127,332	$43,252	$46,643	$3,338

FIRST REPUBLIC BANK
NOTES TO FINANCIAL STATEMENTS

Impaired Loans:

($ in thousands)	Year Ended December 31, 2012		At December 31, 2012						
			Total		With no related allowance recorded		With an allowance recorded		
	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):									
Purchased credit-impaired	$ 12,112	$ 988	$ 11,699	$ 13,752	$ 10,872	$ 12,543	$ 827	$ 1,209	$ 2
Purchased non-impaired that subsequently became impaired	18,846	305	19,444	19,974	5,786	6,040	13,658	13,934	1,605
Originated post June 30, 2010 impaired	1,890	—	4,842	4,826	—	—	4,842	4,826	219
	32,848	1,293	35,985	38,552	16,658	18,583	19,327	19,969	1,826
Home Equity Lines of Credit:									
Purchased credit-impaired	6,983	1,182	4,387	4,986	4,387	4,986	—	—	—
Purchased non-impaired that subsequently became impaired	3,194	9	4,312	4,382	1,162	1,181	3,150	3,201	771
Originated post June 30, 2010 impaired	418	—	388	386	388	386	—	—	—
	10,595	1,191	9,087	9,754	5,937	6,553	3,150	3,201	771
Multifamily (5+ units):									
Purchased credit-impaired	64,290	4,577	63,841	69,716	63,841	69,716	—	—	—
Purchased non-impaired that subsequently became impaired	2,285	—	2,141	2,272	—	—	2,141	2,272	181
	66,575	4,577	65,982	71,988	63,841	69,716	2,141	2,272	181
Commercial Real Estate:									
Purchased credit-impaired	68,538	6,317	61,599	69,838	47,513	53,842	14,086	15,996	1,549
Purchased non-impaired that subsequently became impaired	989	—	6,359	6,359	—	—	6,359	6,359	318
	69,527	6,317	67,958	76,197	47,513	53,842	20,445	22,355	1,867
Single Family Construction:									
Originated post June 30, 2010 impaired	796	37	3,448	3,448	—	—	3,448	3,448	26
Multifamily/Commercial Construction:									
Purchased credit-impaired	1,756	120	1,742	1,955	1,742	1,955	—	—	—
Commercial Business:									
Purchased credit-impaired	32,783	3,182	30,249	35,043	28,193	32,846	2,056	2,197	75
Purchased non-impaired that subsequently became impaired	2,667	5	8,827	9,031	—	—	8,827	9,031	1,984
Originated post June 30, 2010 impaired	1,300	3	4,228	4,228	—	—	4,228	4,228	1,057
	36,750	3,190	43,304	48,302	28,193	32,846	15,111	15,456	3,116
Other Secured:									
Purchased credit-impaired	4,983	396	4,895	5,200	4,895	5,200	—	—	—
Unsecured Loans and Lines of Credit:									
Purchased credit-impaired	989	103	791	1,037	791	1,037	—	—	—
Total	$224,819	$17,224	$233,192	$256,433	$169,570	$189,732	$63,622	$66,701	$7,787

Impaired Loans:

($ in thousands)	Year Ended December 31, 2011 Average Recorded Investment	Interest Income Recognized
Single Family (1-4 units):		
Purchased credit-impaired	$ 15,989	$ 2,135
Purchased non-impaired that subsequently became impaired	11,662	89
	27,651	2,224
Home Equity Lines of Credit:		
Purchased credit-impaired	12,891	944
Purchased non-impaired that subsequently became impaired	1,080	14
Originated post June 30, 2010 impaired	202	—
	14,173	958
Multifamily (5+ units):		
Purchased credit-impaired	64,776	3,920
Purchased non-impaired that subsequently became impaired	1,430	38
	66,206	3,958
Commercial Real Estate:		
Purchased credit-impaired	80,661	7,324
Purchased non-impaired that subsequently became impaired	1,362	4
	82,023	7,328
Multifamily/Commercial Construction:		
Purchased credit-impaired	7,037	939
Commercial Business:		
Purchased credit-impaired	36,399	2,457
Other Secured:		
Purchased credit-impaired	6,513	335
Unsecured Loans and Lines of Credit:		
Purchased credit-impaired	2,212	369
Purchased non-impaired that subsequently became impaired	1	—
	2,213	369
Total	$ 242,215	$ 18,568

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 tables summarize our loans modified by troubled debt restructurings, by portfolio segment and class, at December 31, 2013 and 2012:

Troubled Debt Restructurings:

($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total
At December 31, 2013			
Single Family (1-4 units):			
Purchased non-impaired	$ 1,343	$ 7,270	$ 8,613
Purchased non-impaired that subsequently became impaired	9,281	—	9,281
Purchased credit-impaired	—	4,189	4,189
Originated post June 30, 2010 non-impaired	—	1,367	1,367
Originated post June 30, 2010 impaired	246	—	246
	10,870	12,826	23,696
Home Equity Lines of Credit:			
Purchased non-impaired	1,218	2,103	3,321
Purchased non-impaired that subsequently became impaired	6,022	—	6,022
Purchased credit-impaired	—	164	164
Originated post June 30, 2010 impaired	2,111	—	2,111
	9,351	2,267	11,618
Multifamily (5+ units):			
Purchased non-impaired that subsequently became impaired	2,016	—	2,016
Purchased credit-impaired	485	1,645	2,130
	2,501	1,645	4,146
Commercial Real Estate:			
Purchased non-impaired	480	875	1,355
Purchased non-impaired that subsequently became impaired	6,892	—	6,892
Purchased credit-impaired	—	1,801	1,801
Originated post June 30, 2010 impaired	381	—	381
	7,753	2,676	10,429
Commercial Business:			
Purchased non-impaired	585	49	634
Purchased credit-impaired	2,696	521	3,217
	3,281	570	3,851
Total	$ 33,756	$ 19,984	$ 53,740

Troubled Debt Restructurings:

($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total
At December 31, 2012			
Single Family (1-4 units):			
Purchased non-impaired	$ —	$ 1,807	$ 1,807
Purchased non-impaired that subsequently became impaired	10,176	1,182	11,358
Purchased credit-impaired	827	1,556	2,383
Originated post June 30, 2010 non-impaired	—	1,367	1,367
Originated post June 30, 2010 impaired	4,642	—	4,642
	15,645	5,912	21,557
Home Equity Lines of Credit:			
Purchased non-impaired	269	—	269
Purchased non-impaired that subsequently became impaired	2,614	—	2,614
Purchased credit-impaired	—	180	180
Originated post June 30, 2010 impaired	388	—	388
	3,271	180	3,451
Multifamily (5+ units):			
Purchased non-impaired that subsequently became impaired	2,141	—	2,141
Purchased credit-impaired	—	1,552	1,552
	2,141	1,552	3,693
Commercial Real Estate:			
Purchased non-impaired	240	660	900
Purchased non-impaired that subsequently became impaired	6,359	—	6,359
Purchased credit-impaired	—	1,808	1,808
	6,599	2,468	9,067
Multifamily/Commercial Construction:			
Purchased credit-impaired	—	1,742	1,742
Commercial Business:			
Purchased non-impaired	779	—	779
Purchased credit-impaired	—	544	544
	779	544	1,323
Total	$ 28,435	$ 12,398	$ 40,833

During 2013, 2012 and 2011, troubled debt restructurings were primarily modified through payment deferrals, extensions of the maturity date or reductions in interest rate, both temporary and permanent. The following table summarizes the recorded investment in loans modified in troubled debt restructurings, by portfolio segment and class, for modifications made during the years indicated:

Troubled Debt Restructurings:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Single Family (1-4 units):			
Purchased non-impaired	$ 1,119	$ 3,196	$ 1,144
Purchased non-impaired that subsequently became impaired	7,149	5,490	9,031
Purchased credit-impaired	—	835	1,888
Originated post June 30, 2010 non-impaired	—	4,520	—
Originated post June 30, 2010 impaired	—	1,094	—
	8,268	15,135	12,063
Home Equity Lines of Credit:			
Purchased non-impaired	2,510	1,809	—
Purchased non-impaired that subsequently became impaired	3,868	—	1,995
Originated post June 30, 2010 impaired	300	—	423
	6,678	1,809	2,418
Multifamily (5+ units):			
Purchased non-impaired that subsequently became impaired	—	—	2,274
Purchased credit-impaired	545	—	—
	545	—	2,274
Commercial Real Estate:			
Purchased non-impaired	483	248	—
Purchased non-impaired that subsequently became impaired	806	6,500	712
Originated post June 30, 2010 non-impaired	394	—	—
	1,683	6,748	712
Commercial Business:			
Purchased non-impaired that subsequently became impaired	8,681	876	—
Purchased credit-impaired	3,356	—	729
Originated post June 30, 2010 impaired	4,228	—	—
	16,265	876	729
Total	$ 33,439	$ 24,568	$ 18,196

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. During 2013, loans related to one nonperforming commercial business loan relationship that were modified during the previous 12 months defaulted, and $12.0 million of charge-offs were recorded. No loans defaulted during 2012 or 2011 that were modified in the previous 12 months.

Note 5. Mortgage Banking Activities

The recorded value of 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 for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Loans originated	$ 17,842,280	$ 15,462,941	$ 10,239,273
Single family loans originated	$ 9,039,956	$ 8,603,111	$ 5,406,091
Loans sold:			
Flow sales	$ 814,819	$ 1,283,908	$ 396,728
Bulk sales	1,848,669	1,149,472	331,941
Total loans sold	$ 2,663,488	$ 2,433,380	$ 728,669
Gain on sale of loans:			
Amount	$ 36,290	$ 38,831	$ 6,417
Gain as a percentage of loans sold	1.36%	1.60%	0.88%

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 for the years indicated:

($ in thousands)	At or for the Year Ended December 31, 2013	2012	2011
Loans serviced for others:			
Beginning balance	$ 4,580,859	$ 3,381,385	$ 3,780,629
Loans sold	2,663,488	2,433,380	728,669
Repayments	(1,118,751)	(1,176,767)	(958,108)
Servicing transferred	—	(43,158)	—
Loans purchased	(101,110)	—	—
Loans repurchased	(24,209)	(3,752)	(87,915)
Consolidation of variable interest entities	—	(10,229)	(81,890)
Ending balance	$ 6,000,277	$ 4,580,859	$ 3,381,385
MSRs:			
Beginning balance	$ 17,786	$ 17,269	$ 21,640
Additions due to new loans sold	20,102	16,206	6,562
Amortization expense	(9,024)	(8,473)	(7,134)
Provision for valuation allowance	—	(7,209)	(3,561)
Reversal of valuation allowance	1,876	—	428
Reductions due to consolidation	—	—	(434)
Reductions due to purchases	(799)	—	—
Reductions due to repurchases	(160)	(7)	(232)
Ending balance	$ 29,781	$ 17,786	$ 17,269
Estimated fair value of MSRs	$ 43,549	$ 22,576	$ 21,549
MSRs as a percent of loans serviced	0.50%	0.39%	0.51%
Weighted average servicing fee collected for the period	0.26%	0.27%	0.27%
MSRs as a multiple of weighted average servicing fee	1.90x	1.45x	1.89x

The following table presents changes in the valuation allowance for MSRs for the years indicated:

($ in thousands)	At or for the Year Ended December 31, 2013	2012	2011
Valuation allowance:			
Beginning balance	$ 4,240	$ 1,668	$ 2,863
Provision	—	7,209	3,561
Reversal to income due to increase in fair value	(1,876)	—	(428)
Write-down due to permanent impairment	(2,355)	(4,637)	(4,328)
Ending balance	$ 9	$ 4,240	$ 1,668

The following table presents servicing fees for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Contractually specified servicing fees	$ 14,378	$ 10,375	$ 10,099
Late charges and ancillary fees, net of costs	$ 1,380	$ 1,097	$ 39

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 at the dates indicated:

($ in thousands)	December 31, 2013	2012
Fair value of MSRs	$ 43,549	$ 22,576
Weighted average prepayment speed (CPR)	10.8%	27.8%
Impact on fair value of 10% adverse change	$ (2,220)	$ (1,180)
Impact on fair value of 20% adverse change	$ (4,220)	$ (2,206)
Weighted average discount rate	11.4%	11.8%
Impact on fair value of 10% adverse change	$ (1,325)	$ (520)
Impact on fair value of 20% adverse change	$ (2,571)	$ (1,010)

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.

Note 6. Variable Interest Entities

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

The Bank sells loans on a non-recourse basis and in nearly all cases, retains the MSRs. For nearly all of the Bank's servicing activities, the only interest in the VIE is the MSRs associated with performing our required servicing functions. These servicing rights are not considered a variable interest.

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 December 31, 2013 and 2012, 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 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.

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

	December 31, 2013		
($ in thousands)	VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 1,543	$ —	$ 1,543
Loans	—	75,872	75,872
Tax credit investments	688,870	—	688,870
MSRs	29,781	—	29,781
Total Assets	720,194	75,872	796,066
Liabilities:			
Unfunded commitments—tax credit investments	371,874	—	371,874
Debt	—	43,132	43,132
Total Liabilities	371,874	43,132	415,006
Net Assets	$ 348,320	$ 32,740	$ 381,060

	December 31, 2012		
($ in thousands)	VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 1,135	$ —	$ 1,135
Loans	—	94,093	94,093
Tax credit investments	480,686	—	480,686
MSRs	17,786	—	17,786
Total Assets	499,607	94,093	593,700
Liabilities:			
Unfunded commitments—tax credit investments	286,381	—	286,381
Debt	—	56,450	56,450
Total Liabilities	286,381	56,450	342,831
Net Assets	$ 213,226	$ 37,643	$ 250,869

The Bank's exposure to loss with respect to the consolidated VIEs is limited to the investment in the securities purchased of approximately $32.7 million at December 31, 2013 and $37.6 million at December 31, 2012. The debt holders of the REMICs have no recourse to the Bank. 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 $720.2 million at December 31, 2013 and $499.6 million at December 31, 2012.

Note 7. Prepaid Expenses and Other Assets

Prepaid expenses and other assets are summarized in the table below at the dates indicated:

($ in thousands)	December 31, 2013	December 31, 2012
FHLB stock, at cost	$ 242,050	$ 162,291
Interest receivable	131,537	112,392
Deferred tax assets	127,311	135,743
Mutual fund receivable	15,887	—
Foreign exchange derivatives	11,415	8,066
Prepaid FDIC insurance assessment	—	38,818
Other assets	125,681	101,790
Other prepaid expenses	26,875	22,062
Total	$ 680,756	$ 581,162

Note 8. Premises, Equipment and Leasehold Improvements

Premises, equipment and leasehold improvements are summarized in the table below at the dates indicated:

($ in thousands)	December 31, 2013	December 31, 2012
Land, buildings and improvements	$ 1,318	$ 1,318
Furniture, equipment and software	96,331	68,495
Leasehold improvements	154,976	118,602
Construction-in-progress	10,825	15,822
Total	263,450	204,237
Less: accumulated depreciation and amortization	(96,906)	(62,036)
Premises, equipment and leasehold improvements, net	$ 166,544	$ 142,201

Depreciation and amortization expense was $35.7 million in 2013, $28.9 million in 2012 and $24.4 million in 2011. Rent and related occupancy expense, net of sublease income, was $48.3 million in 2013, $45.8 million in 2012 and $34.1 million in 2011.

Future minimum rental payments required under operating leases, net of sublease income, including the Bank's office facilities, that have initial or remaining noncancelable terms in excess of one year were as follows:

($ in thousands)	December 31, 2013
Operating leases:	
2014	$ 45,040
2015	45,260
2016	43,580
2017	42,193
2018	42,351
2019 and thereafter	244,212
Total	$ 462,636

Note 9. Goodwill and Other Intangible Assets

On December 28, 2012, FRIM acquired substantially all of the assets of Luminous Capital Holdings, LLC ("Luminous"), an independent wealth advisor. At that date, the Bank recognized customer relationship intangible assets of $42.5 million and goodwill of $81.9 million in connection with the Luminous asset purchase. The entire amount of goodwill from Luminous was allocated to the wealth management segment.

The following table presents the gross carrying value of intangible assets and accumulated amortization at the dates indicated:

	December 31,			
	2013		2012	
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized intangible assets:				
MSRs, before valuation allowance	$ 58,247	$ (28,457)	$ 41,459	$ (19,433)
Core deposit intangibles	87,550	(50,396)	87,550	(38,167)
Customer relationship intangibles	83,940	(31,249)	83,940	(17,331)
Total amortized intangibles	$ 229,737	$ (110,102)	$ 212,949	$ (74,931)
Goodwill	$ 106,549		$ 106,549	
Trade name	$ 42,900		$ 42,900	

The following table presents goodwill by business segment at the dates or for the years indicated:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2011	$ 24,604	$ —	$ 24,604
Additions due to Luminous asset purchase	—	81,945	81,945
Balance as of December 31, 2013 and 2012	$ 24,604	$ 81,945	$ 106,549

The Bank is required to test goodwill for impairment at least annually at the reporting unit level. The Bank did not recognize any impairment in 2013 or 2012 based on the results of the annual test.

The following table presents the estimated future amortization for intangible assets as of December 31, 2013:

($ in thousands)	MSRs	Core deposit intangibles	Customer relationship intangibles
2014	$ 6,552	$ 10,492	$ 12,253
2015	4,646	8,755	10,588
2016	3,717	7,018	8,923
2017	2,676	5,282	7,258
2018	$ 2,194	$ 3,545	$ 5,593

Note 10. Deposits

At December 31, 2013, the annual contractual maturities of the Bank's certificates of deposit were as follows:

($ in thousands)	December 31, 2013
Certificates of deposit:	
2014	$ 2,386,668
2015	828,825
2016	440,939
2017	47,097
2018	110,639
2019 and thereafter	84,367
Subtotal	3,898,535
Purchase accounting premium	7,358
Total	$ 3,905,893

At December 31, 2013, certificates of deposit of $100,000 or more totaled $2.9 billion, or 9% of total deposits, compared to $2.0 billion, or 8% of total deposits, at December 31, 2012. At December 31, 2013 and 2012, certificates of deposit over the individual FDIC account insurance limit of $250,000 totaled $1.3 billion and $817.1 million, respectively.

The following table presents interest expense on deposits for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Interest-bearing checking	$ 2,012	$ 1,511	$ 2,886
MM checking	6,668	4,841	8,923
MM savings and passbooks	16,118	14,109	24,194
Certificates of deposit	36,019	36,520	47,265
Total	$ 60,817	$ 56,981	$ 83,268

Purchase accounting adjustments are amortized and recorded as a reduction to interest expense over the contractual life of the certificates of deposit using a level yield methodology. For 2013, 2012 and 2011, interest expense on certificates of deposit was reduced by $11.9 million, $22.2 million and $54.6 million of purchase accounting premium amortization, respectively. The following table presents estimated future amortization of the purchase accounting premium:

($ in thousands)	Estimated Future Amortization
2014	$ 6,352
2015	1,006
Total	$ 7,358

At December 31, 2013, approximately 1% of our deposit relationships hold approximately 42% of our total deposits, compared to 40% at December 31, 2012.

Note 11. Short-Term Borrowings and Long-Term Debt

The Bank has historically used FHLB advances as a primary source for both short-term and long-term borrowings. The following table presents the outstanding balances and interest expense on short-term borrowings and long-term debt at the dates or for the years indicated:

($ in thousands)	Balances as of December 31, 2013	Balances as of December 31, 2012	Interest Expense Year Ended December 31, 2013	Interest Expense Year Ended December 31, 2012	Interest Expense Year Ended December 31, 2011
Short-term borrowings:					
Federal funds purchased	$ —	$ —	$ 69	$ —	$ —
FHLB advances	—	75,000	699	8	320
Total	—	75,000	768	8	320
Long-term debt:					
FHLB advances	$ 5,150,000	$ 3,150,000	$ 69,353	$ 54,593	$ 30,820
Subordinated notes	—	—	—	1,545	2,279
Total	$ 5,150,000	$ 3,150,000	$ 69,353	$ 56,138	$ 33,099
Other long-term debt:					
Debt related to VIE	$ 43,132	$ 56,450	$ 905	$ 1,059	$ 531
Total borrowings	$ 5,193,132	$ 3,281,450	$ 71,026	$ 57,205	$ 33,950

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. Generally, the Bank's short-term borrowings are adjustable-rate in nature. At December 31, 2013, all of the FHLB advances were fixed rate for a specific term. The following table presents the contractual maturities and weighted average contractual rates of FHLB advances at December 31, 2013:

($ in thousands)	December 31, 2013 Amount	December 31, 2013 Rate
FHLB advances maturing in:		
2014	$ 300,000	1.25%
2015	850,000	1.67%
2016	1,200,000	1.42%
2017	1,100,000	1.62%
2018	1,425,000	1.60%
2019 and thereafter	275,000	1.97%
Total	$ 5,150,000	1.57%

The Bank is required to own FHLB stock at least equal to 4.7% of outstanding FHLB advances. The Bank records FHLB stock at cost. The Bank owned FHLB stock of $242.1 million and $162.3 million at December 31, 2013 and 2012, respectively.

Note 12. Derivative Financial Instruments

In accordance with ASC 815, the Bank recognizes all derivatives on the balance sheet at fair value. 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 has derivative assets and liabilities consisting of foreign exchange contracts executed with customers; 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 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 at the dates indicated:

	December 31,					
	2013			2012		
		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]
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	$ 462,089	$ 11,415	$ 10,685	$ 519,669	$ 8,066	$ 7,406
Interest rate contracts with borrowers	$ 22,725	—	154	$ 145,376	44	140
Forward loan sale commitments	$ 81,251	154	—	$ 349,264	195	99
Total		$ 11,569	$ 10,839		$ 8,305	$ 7,645

(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 risk 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 position with the related collateral in the event of default. Management does not currently anticipate non-performance by any of the counterparties.

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

	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
December 31, 2013								
Derivative assets:								
Foreign exchange contracts	$ 11,415	$ 4,726	$ 6,689	$—	$ 6,689	$ 4,837	$ 1,852	$—
Derivative liabilities:								
Foreign exchange contracts	$ 10,685	$ 5,848	$ 4,837	$—	$ 4,837	$ 4,837	$ —	$—
December 31, 2012								
Derivative assets:								
Foreign exchange contracts	$ 8,066	$ 4,818	$ 3,248	$—	$ 3,248	$ 3,248	$ —	$—
Derivative liabilities:								
Foreign exchange contracts	$ 7,406	$ 2,325	$ 5,081	$—	$ 5,081	$ 3,248	$ 1,833	$—

(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.

As a result of the discontinuation of certain cash flow hedges used to hedge exposure to the variability of future cash flows for certain deposit accounts, the Bank is reclassifying unrealized losses from accumulated other comprehensive income into earnings over the remaining life of the original hedging relationships, as the hedged transactions continue to be probable of occurring. The following table presents the net losses on the interest rate swaps reclassified into earnings for the years indicated:

	Year Ended December 31,		
($ in thousands)	2013	2012	2011
Net losses (pre-tax) recognized in other income (ineffective portion)	$ —	$ —	$ (514)
Net losses (pre-tax) recognized in accumulated other comprehensive income	$ —	$ —	$(7,390)
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$(1,806)	$(2,070)	$(2,814)

During the next twelve months, the Bank estimates that $448,000 will be reclassified from accumulated other comprehensive income into interest expense for terminated hedges. The total amount to be reclassified from accumulated other comprehensive income into interest expense for terminated hedges is $479,000. These amounts will be reclassified through the first quarter of 2015.

Note 13. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale and derivative instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record at fair value other

assets on a nonrecurring basis, such as loans held for sale, loans held for investment, MSRs and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets.

Fair Value Hierarchy

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

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

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

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value. 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 and estimates that are matters of judgment. Changes in the assumptions used could significantly affect these estimates. The Bank has not adjusted fair values to reflect changes in market conditions subsequent to December 31, 2013 and 2012; therefore, estimates presented herein are not necessarily indicative of amounts that could be realized in a current transaction.

The estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses. The fair value summary does not represent an estimate of the overall market value of the Bank as a going concern, which would take into account future business opportunities.

The Bank uses the following methods and assumptions to estimate the fair value of each major classification of financial instruments:

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.

Investment securities: The Bank's 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 used quoted prices obtained through a third-party valuation source. Management reviewed the valuation techniques and assumptions used by the provider and determined that widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured were utilized. In some instances, prices were obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities were determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Loans: The carrying amount of loans is net of unamortized deferred loan fees or costs, unamortized premiums or discounts and the allowance for loan losses. 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 internal and market 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 was 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.

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Other real estate owned is adjusted to fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequently, other real estate owned is carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral.

FHLB stock: FHLB stock has no trading market, is required as part of membership and is redeemable at par; therefore, its fair value is presented at cost.

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

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.

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

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.

Recurring Fair Value Measurements

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

	Fair Value Measurements on a Recurring Basis December 31, 2013			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ —	$ —	$ 47,455	$ 47,455
Residential agency MBS	—	108,903	—	108,903
Residential non-agency MBS	—	14,737	—	14,737
Commercial MBS	—	592,875	—	592,875
Collateralized loan obligations	—	805,971	—	805,971
Marketable equity securities	1,265	—	—	1,265
Derivative assets	—	11,569	—	11,569
Total	$ 1,265	$ 1,534,055	$ 47,455	$ 1,582,775
Liabilities:				
Derivative liabilities	$ —	$ 10,839	$ —	$ 10,839

($ in thousands)	Fair Value Measurements on a Recurring Basis December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ —	$ —	$ 47,459	$ 47,459
Residential agency MBS	—	137,386	—	137,386
Residential non-agency MBS	—	17,661	—	17,661
Commercial MBS	—	589,661	—	589,661
Collateralized loan obligations	—	167,500	—	167,500
Marketable equity securities	766	—	—	766
Derivative assets	—	8,305	—	8,305
Total	$ 766	$ 920,513	$ 47,459	$ 968,738
Liabilities:				
Derivative liabilities	$ —	$ 7,645	$ —	$ 7,645

There were no transfers in or out of Levels 1 and 2 in 2013 or 2012.

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

($ in thousands)	Year Ended December 31, 2013	2012
Taxable municipal securities available-for-sale:		
Balance at beginning of period	$ 47,459	$ —
Purchases	—	47,214
Unrealized (losses) gains included in other comprehensive income	(11)	241
Accretion included in interest income	7	4
Balance at end of period	$ 47,455	$ 47,459

There were no transfers in or out of Level 3 assets measured on a recurring basis during 2013 or 2012. There were no Level 3 assets measured at fair value on a recurring basis as of December 31, 2011.

Nonrecurring Fair Value Measurements

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. Nonrecurring fair value adjustments of 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. For assets measured at fair value on a nonrecurring basis that were held on the balance sheet at December 31, 2013 and 2012, the following tables provide the fair value hierarchy levels and the carrying values of the related individual assets or portfolios:

	Fair Value Measurements on a Nonrecurring Basis December 31, 2013			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Real estate secured mortgages	$—	$—	$ 109	$ 109
MSRs	—	—	10,316	10,316
Other real estate owned	—	—	3,200	3,200
Total	$—	$—	$ 13,625	$ 13,625

	Fair Value Measurements on a Nonrecurring Basis December 31, 2012			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Real estate secured mortgages	$—	$ 760	$ —	$ 760
MSRs	—	—	13,608	13,608
Total	$—	$ 760	$ 13,608	$ 14,368

The following table presents gains (losses) related to nonrecurring fair value measurements for the years indicated. The gains (losses) relate to assets held on the balance sheet at each respective period end:

	Year Ended December 31,		
($ in thousands)	**2013**	**2012**	**2011**
Assets:			
Real estate secured mortgages	$ (126)	$ (84)	$ (639)
MSRs	1,876	(7,209)	(1,990)
Other real estate owned	(153)	—	(473)
Total	$ 1,597	$ (7,293)	$ (3,102)

Level 3 Inputs

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

	December 31, 2013			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Taxable municipal securities available-for-sale	$47,455	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$10,316	Present value of estimated future servicing income	Estimated prepayment rate Discount rate	13.0% 11.0%

($ in thousands)	December 31, 2012 Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Taxable municipal securities available-for-sale	$ 47,459	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 13,608	Present value of estimated future servicing income	Estimated prepayment rate	31.6%
			Discount rate	10.9%

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.

The Bank calculates the fair value of MSRs on a quarterly basis. The Bank's management reviews the analysis and considers historical trends in conjunction with the inputs listed above. For further discussion of the sensitivity analysis and interrelationship of the unobservable inputs used in the valuation, refer to Note 5, "Mortgage Banking Activities."

Fair Value of Financial Instruments

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

	December 31, 2013			
		Fair Value		
($ in thousands)	Carrying Amount	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 807,885	$807,885	$ —	$ —
Securities purchased under agreements to resell	100	100	—	—
Investment securities held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,027,132	—	2,873,239	136,076
Tax-exempt nonprofit debentures	170,678	—	—	165,672
Taxable municipal securities	53,181	—	59,306	—
Residential non-agency MBS	1,543	—	1,619	—
Loans, net:				
Real estate secured mortgages	29,598,770	—	19,654,435	9,471,100
Other loans	4,248,773	—	—	3,946,776
Loans held for sale	58,759	—	58,759	—
Investments in life insurance	766,291	—	—	766,291
MSRs	29,781	—	—	43,549
FHLB stock	242,050	—	—	242,050
Liabilities:				
Deposits:				
Deposits with no maturity	28,176,823	—	28,176,823	—
Certificates of deposit	3,905,893	—	—	3,951,506
Long-term FHLB advances	5,150,000	—	5,188,240	—
Debt related to VIE	$ 43,132	$ —	$ 41,023	$ —

($ in thousands)	December 31, 2012			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 602,264	$602,264	$ —	$ —
Securities purchased under agreements to resell	30,901	30,901	—	—
Investment securities held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	2,269,526	—	2,332,472	143,043
Tax-exempt nonprofit debentures	221,306	—	—	229,984
Taxable municipal securities	53,222	—	66,715	—
Residential non-agency MBS	1,135	—	1,184	—
Loans, net:				
Real estate secured mortgages	24,532,143	—	16,620,949	7,854,663
Other loans	3,324,727	—	—	3,146,725
Loans held for sale	204,631	—	206,586	—
Investments in life insurance	701,672	—	—	701,672
MSRs	17,786	—	—	22,576
FHLB stock	162,291	—	—	162,291
Liabilities:				
Deposits:				
Deposits with no maturity	24,122,217	—	24,122,217	—
Certificates of deposit	2,966,030	—	—	3,019,186
Short-term borrowings	75,000	—	75,000	—
Long-term FHLB advances	3,150,000	—	3,264,193	—
Debt related to VIE	$ 56,450	$ —	$ 52,595	$ —

Note 14. Commitments and Contingencies

At December 31, 2013 and 2012, the Bank had conditional commitments to originate loans of $601.8 million and $515.6 million, respectively, and to disburse additional funds on existing loans and lines of credit of $7.5 billion and $5.7 billion, respectively. In addition, the Bank had undisbursed standby letters of credit of $296.0 million and $284.8 million at December 31, 2013 and 2012, respectively. The Bank's commitments to originate loans are agreements to lend to a client as long as there is no violation of any of several credit or other established conditions. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements.

The Bank has been named as a defendant in legal actions arising in the ordinary course of business, none of which, in the opinion of management, is material.

Note 15. Preferred Stock

At December 31, 2013, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 889,525 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the issued and outstanding shares for each series of the Bank's preferred stock at the dates indicated:

(in thousands, except share amounts)	December 31, 2013	December 31, 2012
6.70% Noncumulative Perpetual Series A Preferred Stock—199,525 shares authorized, issued and outstanding at December 31, 2013 and 2012, respectively	$199,525	$199,525
6.20% Noncumulative Perpetual Series B Preferred Stock—150,000 shares authorized, issued and outstanding at December 31, 2013 and 2012, respectively	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding at December 31, 2013 and 2012, respectively	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock—200,000 shares authorized; 190,000 shares issued and outstanding at December 31, 2013	190,000	—
7.00% Noncumulative Perpetual Series E Preferred Stock—200,000 shares authorized, issued and outstanding at December 31, 2013	200,000	—
Total	$889,525	$499,525

The 6.70% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock") was issued on January 24, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $193.3 million. The public offering consisted of 7,981,000 depositary shares, each representing a 1/40th interest in a share of the Series A Preferred Stock, at a public offering price of $25.00 per depositary share. The Series A Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after January 30, 2017.

The 6.20% Noncumulative Perpetual Series B Preferred Stock ("Series B Preferred Stock") was issued on June 1, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $145.2 million. The public offering consisted of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Series B Preferred Stock, at a public offering price of $25.00 per depositary share. The Series B Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 1, 2017.

The 5.625% Noncumulative Perpetual Series C Preferred Stock ("Series C Preferred Stock") was issued on November 23, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $145.1 million. The public offering consisted of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Series C Preferred Stock, at a public offering price of $25.00 per depositary share. The Series C Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after December 29, 2017.

The 5.50% Noncumulative Perpetual Series D Preferred Stock ("Series D Preferred Stock") was issued on April 23, 2013 and April 30, 2013. Net proceeds, after underwriting discounts and expenses, were approximately $183.8 million. The public offering consisted of 7,600,000 depositary shares, each representing a 1/40th interest in a share of Series D Preferred Stock, at a public offering price of $25.00 per depositary share. The Series D Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 29, 2018.

The 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock") was issued on October 28, 2013. Net proceeds, after underwriting discounts and expenses, were approximately $194.1 million.

The public offering consisted of 8,000,000 depositary shares, each representing a 1/40th interest in a share of Series E Preferred Stock, at a public offering price of $25.00 per depositary share. The Series E Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after December 28, 2018.

The following table presents dividends on preferred stock for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 13,368	$ 12,477	$ —
6.20% Noncumulative Perpetual Series B Preferred Stock	9,300	5,399	—
5.625% Noncumulative Perpetual Series C Preferred Stock	8,438	867	—
5.50% Noncumulative Perpetual Series D Preferred Stock	7,154	—	—
7.00% Noncumulative Perpetual Series E Preferred Stock	2,411	—	—
Total	$ 40,671	$ 18,743	$ —

Note 16. Common Stock and Stock Plans

Common Stock

At December 31, 2013, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At December 31, 2013 and 2012, the Bank had 132,768,437 and 131,273,485 shares issued and outstanding, respectively, not including shares awarded under the 2010 Omnibus Award Plan, as described below.

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 and five months or more in a calendar year. Employees are eligible to participate in the Purchase Plan after one year of employment. Beginning in July 2011, under the terms of the Purchase Plan, employees can purchase shares of the Bank's common stock at 92% 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. A total of 162,406 shares have been sold to employees under the Purchase Plan since its inception in 2011. In 2013, a total of 64,994 shares were sold to employees, compared to 55,365 in 2012 and 42,047 in 2011. The Bank does not recognize any compensation cost for the Purchase Plan since it meets the criteria of a noncompensatory plan under ASC 718-50, "Compensation—Stock Compensation—Employee Share Purchase Plans."

First Republic Bank 2010 Omnibus Award Plan

Under the 2010 Omnibus Award Plan, as amended in 2012 ("the Stock Award Plan"), the Bank is authorized to grant 18,927,273 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.

Stock Options

At December 31, 2013 and 2012, the Bank had stock options outstanding, less forfeitures, of 9,110,901 and 12,046,771 shares, respectively. Under the Bank's stock option agreements, the exercise price of each option equals the market price of the Bank's common stock at the grant date. Generally, stock options vest over a period of up to four years from the grant date and have a maximum contractual life of ten years.

The Bank has granted options that have time vesting requirements, performance vesting criteria and market vesting conditions. All options were granted on or after July 1, 2010. The following table presents outstanding and exercisable options, and related information, at or for the year ended December 31, 2013:

	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding as of December 31, 2012	12,046,771	$ 15.30		
Granted	—	—		
Exercised	(2,904,756)	$ 15.09		
Canceled or forfeited	(31,114)	$ 16.58		
Options outstanding as of December 31, 2013	9,110,901	$ 15.36	6.5 years	$ 337,030,986
As of December 31, 2013:				
Options exercisable and expected to be exercisable [(1)]	9,110,901	$ 15.36	6.5 years	$ 337,030,986
Options exercisable	6,919,254	$ 15.17	6.5 years	$ 257,239,592

(1) First Republic Bank assumes a 0% forfeiture rate.

Time options vest 25% per annum over four years or on a monthly basis in equal amounts over a term of 48 months. At December 31, 2013, 5,284,821 time options were outstanding and 4,481,337 options were vested and exercisable. Performance options vest 25% per annum over four years provided that certain criteria, including return on average tangible common equity, nonperforming asset ratios and growth in non-certificates of deposit accounts, are achieved. The measurement of the performance criteria occurs at the calendar year-end with vesting generally early in the second calendar quarter of the following year. At December 31, 2013, 3,448,157 performance options were outstanding and 2,059,994 options were vested and exercisable. At December 31, 2013, 377,923 stock options with a market condition were vested and exercisable. These options, which were granted to certain executive officers, fully vested in 2011 upon the achievement of a return on investment to the initial investors in the Bank.

The intrinsic value of options exercised during the year ended December 31, 2013 was $89.4 million, compared to $44.0 million in 2012 and $16.6 million in 2011. Stock option exercises are satisfied by issuing shares from the Bank's authorized shares.

Restricted Stock Units

In 2013 and 2012, the Bank granted restricted stock units ("RSUs") to certain of its employees and its directors. Upon vesting, one share of common stock is issued from the Bank's authorized shares for each RSU. Participants are entitled to dividends and voting rights only upon vesting. As of December 31, 2013, 544,517 RSUs have time-based vesting requirements. Of these, 494,017 RSUs have been granted to employees and vest 25% per annum over four years, and 50,500 RSUs have been granted to directors and vest one year after the date of grant. Performance-based RSUs totaled 436,670 as of December 31, 2013 and generally vest 25% per annum over four years provided certain performance criteria are met. The following table presents unvested RSUs, and related information, at or for the year ended December 31, 2013.

	Number	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2012	473,577	$ 32.50	3.3 years
Granted	503,610	$ 38.45	
Vested	(137,564)	$ 32.15	
Canceled or forfeited	(9,500)	$ 34.46	
Nonvested awards as of December 31, 2013	830,123	$ 36.14	2.9 years

The total fair value of awards that vested in 2013 was approximately $4.4 million. No cash consideration was received in connection with the vesting of these awards.

Performance Stock Units

Beginning in 2013, the Bank began to grant performance stock units (“PSUs”) to certain of its employees. Upon vesting, one share of common stock is issued from the Bank’s authorized shares for each PSU. Participants are entitled to dividends and voting rights only upon vesting. PSUs granted to employees vest in full after three years, subject to achieving certain performance criteria. The following table presents unvested PSUs, and related information, at or for the year ended December 31, 2013:

	Number	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2012	—	—	
Granted	100,000	$ 38.44	
Vested	—	—	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2013	100,000	$ 38.44	2.3 years

Restricted Stock Awards

The Bank grants 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. Participants are entitled to dividends and voting rights for all RSAs, regardless of whether the award has vested. The following table presents unvested RSAs, and related information, at or for the year ended December 31, 2013:

	Number	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2012	485,500	$ 31.73	6.0 years
Granted	90,000	$ 36.86	
Vested	(45,750)	$ 31.61	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2013	529,750	$ 32.61	4.9 years

All awards granted in 2013 vest primarily 25% per annum over four years, provided certain performance criteria are achieved. The total fair value of awards that vested during 2013 was approximately $1.4 million. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

The following tables present information regarding share-based compensation expense at the dates or for the years indicated:

($ in thousands)	Year Ended December 31, 2013		At December 31, 2013	
	Expense Recognized	Related Tax Benefit	Unrecognized Expense	Weighted Average Expected Recognition Period
Stock Options	$ 16,369	$ 6,957	$ 7,846	0.7 years
RSUs	7,662	3,256	23,652	2.9 years
RSAs	2,486	1,057	15,318	4.9 years
PSUs	717	305	3,127	2.3 years
	$ 27,234	$ 11,575	$ 49,943	

($ in thousands)	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
Stock Options	$ 17,019	$ 7,233	$ 23,661	$ 10,056
RSUs	3,132	1,331	—	—
RSAs	1,475	627	—	—
	$ 21,626	$ 9,191	$ 23,661	$ 10,056

Valuation Assumptions

RSUs, RSAs and PSUs are valued at the closing market price of the Bank's common stock at the date of grant.

The fair value of each stock option award is estimated on the date of grant using a Black-Scholes valuation model and the assumptions noted in the following table. The Bank evaluates exercise behavior and values options separately for executive and non-executive employees. The expected term of options granted is based on the midpoint between average vesting life and contract expiration life of the options. The Bank based the expected volatility on the historical volatility of comparable publicly-traded companies for a term corresponding with the expected life of the options. The risk-free rate is the U.S. Constant Maturity Treasury rate as of the valuation date for a term corresponding with the expected life of the options. Estimated risk-free rates ranged from 1.24% to 2.65%.

The following table presents the weighted average assumptions used to value time and performance stock options granted for the year ended December 31, 2011, as indicated below using a Black-Scholes option valuation model. No options were granted in 2013 or 2012.

	Year Ended December 31, 2011
Per share fair value of options granted	$ 11.89
Expected volatility	37%
Expected dividends (yield)	0%
Expected dividends	0%
Expected term (in years)	6.25
Risk-free interest rate	2.15%

Note 17. Accumulated Other Comprehensive Income

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

($ in thousands)	Securities Available-For-Sale	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
Balance at December 31, 2010	**$ (49)**	**$ 127**	**$ 78**	
Net unrealized gain on securities available-for-sale	7,298	—	7,298	
Related tax effect	(3,101)	—	(3,101)	
Reclassification of gain on securities available-for-sale to net income	(796)	—	(796)	Other income
Related tax effect	338	—	338	Provision for income taxes
Net unrealized loss on cash flow hedges	—	(7,390)	(7,390)	
Related tax effect	—	3,141	3,141	
Reclassification of loss on cash flow hedges to net income	—	2,814	2,814	Interest on deposits
Related tax effect	—	(1,196)	(1,196)	Provision for income taxes
Other comprehensive income (loss)	3,739	(2,631)	1,108	
Balance at December 31, 2011	**3,690**	**(2,504)**	**1,186**	
Net unrealized gain on securities available-for-sale	51,654	—	51,654	
Related tax effect	(21,952)	—	(21,952)	
Reclassification of gain on securities available-for-sale to net income	(1,220)	—	(1,220)	Other income
Related tax effect	518	—	518	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	2,070	2,070	Interest on deposits
Related tax effect	—	(880)	(880)	Provision for income taxes
Other comprehensive income	29,000	1,190	30,190	
Balance at December 31, 2012	**32,690**	**(1,314)**	**31,376**	
Net unrealized loss on securities available-for-sale	(32,766)	—	(32,766)	
Related tax effect	13,927	—	13,927	
Reclassification of gain on securities available-for-sale to net income	(531)	—	(531)	Other income
Related tax effect	226	—	226	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	1,806	1,806	Interest on deposits
Related tax effect	—	(767)	(767)	Provision for income taxes
Other comprehensive income (loss)	(19,144)	1,039	(18,105)	
Balance at December 31, 2013	**$ 13,546**	**$ (275)**	**$ 13,271**	

Note 18. Employee Benefit Plans

The Bank's 401(k) Plan is a qualified defined contribution plan under section 401(k) of the Internal Revenue Code ("IRC") of 1986, as amended. Generally, full-time and part-time employees who regularly are employed for 20 hours or more per week are automatically enrolled in the Bank's 401(k) Plan upon their date of hire. The 401(k) Plan assets are invested by plan participants in a family of investment funds. Eligible employees may contribute up to 50% of their pre-tax and post-tax eligible compensation as defined in the 401(k) Plan, subject to certain IRC limitations. Under the 401(k) Plan, the Bank makes an annual matching contribution in an amount equal to the lesser of: (i) 50% of each participant's deferred contributions or (ii) 50% of 5% of the participant's eligible compensation. The annual match has a three year vesting requirement. Upon termination of

service, any unvested employer match is generally forfeited. The Bank's contributions to the 401(k) Plan were approximately $5.6 million, $4.5 million and $3.4 million for 2013, 2012 and 2011, respectively.

During 2004, the Bank implemented a Supplemental Executive Retirement Plan ("SERP") with five of its executives. The SERP provides for cash payments at predetermined future dates beginning in 2014. These payments, which became fully vested upon the acquisition by Merrill Lynch in 2007, are designed to allow the individual to purchase certain split dollar life insurance contracts from the Bank at the Bank's net book value. The SERP liability was $4.9 million and $4.7 million at December 31, 2013 and 2012, respectively.

In 2013, the Bank adopted a Deferred Compensation Plan under which eligible employees may defer receipt of a portion of salary or incentive compensation in 2013 and future years. Such deferred compensation may be invested in an interest-bearing deposit account. Deferred amounts will be distributed to employees in accordance with their elections. At December 31, 2013, the amount of deferred compensation liability was $5.7 million.

Since inception, the Bank has not offered any other employee benefit plans and, at December 31, 2013, has no requirement to accrue additional expenses for any pension or other post-employment benefits.

Note 19. Income Taxes

In accordance with the amendments to ASC 323-740, tax credit investment amortization expense is now presented as a component of provision for income taxes. Previously, the amortization expense was included as noninterest expense. This change resulted in increased income tax expense and an increased effective tax rate, but did not alter the amount of income taxes actually paid. The retrospective adjustments made in 2012 and 2011 are reflected in the following disclosures.

At December 31, 2013 and 2012, the amount of current taxes receivable, which is included in other assets, was $35.8 million and $9.8 million, respectively.

The following table presents the components of the Bank's provision for income taxes for the years indicated:

($ in thousands)	Year Ended December 31, 2013	2012	2011
Federal:			
Current	$ 89,144	$ 130,094	$ 160,682
Deferred	4,392	(21,072)	(24,067)
Subtotal	93,536	109,022	136,615
State:			
Current	64,589	71,540	68,738
Deferred	(798)	(7,976)	(8,630)
Subtotal	63,791	63,564	60,108
Tax credit investment amortization	44,162	26,059	8,936
Total provision for income taxes	$ 201,489	$ 198,645	$ 205,659

The following table presents a reconciliation between the effective income tax rate and the federal statutory rate for the years indicated:

	Year Ended December 31,		
	2013	2012	2011
Expected statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefits	6.3%	6.9%	6.9%
Tax-exempt income	(7.2)%	(6.2)%	(4.2)%
Bank-owned life insurance	(1.3)%	(1.3)%	(1.0)%
Tax credits	(8.9)%	(6.0)%	(2.4)%
Tax credit investment amortization	6.7%	4.3%	1.6%
Other, net	(0.2)%	0.3%	0.5%
Effective tax rate	30.4%	33.0%	36.4%

The following table presents the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at the dates indicated:

	December 31,	
($ in thousands)	2013	2012
Deferred tax assets:		
Allowance for loan losses	$ 65,081	$ 55,255
Accrued compensation	45,394	31,214
Loan discounts	36,136	59,324
Stock award expense	23,143	21,289
State income taxes	14,971	16,705
Premium on certificates of deposit	3,172	8,236
Depreciation	2,857	1,619
Other deferred tax assets	7,370	14,827
Total gross deferred tax assets	198,124	208,469
Less: valuation allowance	—	—
Net deferred tax assets	$ 198,124	$ 208,469
Deferred tax liabilities:		
Deferred loan costs	$ (58,249)	$ (41,949)
Unrealized gain on securities available-for-sale	(10,008)	(24,161)
Intangible assets	(1,344)	(5,430)
Other deferred tax liabilities	(1,212)	(1,186)
Total gross deferred tax liabilities	(70,813)	(72,726)
Net deferred tax assets	$ 127,311	$ 135,743

The net deferred tax asset represents recoverable taxes. At December 31, 2013 and 2012, management believes a valuation allowance is not needed because it is more likely than not that deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

The table below presents a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years indicated:

($ in thousands)	At or for the Year Ended December 31, 2013	2012
Balance at beginning of period	$ 166	$ 160
Additions for tax positions related to the current year	—	—
Additions for tax positions related to prior years	76	6
Balance at end of period	$ 242	$ 166

At December 31, 2013 and 2012, the Bank has accrued current taxes payable of approximately $242,000 and $166,000, respectively, related to uncertain tax positions. If recognized, the entire amount of unrecognized tax benefits at December 31, 2013 would affect the Bank's consolidated effective tax rate. The Bank also recognized interest and penalties of approximately $11,000 and $9,000 (recorded in income tax expense) related to uncertain tax positions for the years ended December 31, 2013 and 2012, respectively.

The Bank continues to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions. The Bank's tax returns for the years ended December 31, 2013, 2012 and 2011 and the six months ended December 31, 2010 remain subject to examination by the Internal Revenue Service, the California Franchise Tax Board and various other state taxing authorities. The Bank does not currently believe there is a reasonable possibility of any significant change to our total unrecognized tax benefits within the next twelve months.

Note 20. 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 for the years indicated:

(in thousands, except per share amounts)	Year Ended December 31, 2013	2012	2011
Basic EPS:			
Net income	$ 462,070	$ 401,164	$ 354,388
Less: Dividends on preferred stock	40,671	18,743	—
Redemption of FRPCC preferred stock	—	13,200	—
Net income available to common shareholders	$ 421,399	$ 369,221	$ 354,388
Weighted average common shares outstanding	131,326	130,051	129,061
Net income per common share—basic	$ 3.21	$ 2.84	$ 2.75
Diluted EPS:			
Net income available to common shareholders	$ 421,399	$ 369,221	$ 354,388
Weighted average shares:			
Common shares outstanding	131,326	130,051	129,061
Dilutive effect of stock options	4,360	4,084	3,663
Dilutive effect of restricted stock awards, restricted stock units and performance stock units	263	54	—
Weighted average diluted common shares outstanding	135,949	134,189	132,724
Net income per common share—diluted	$ 3.10	$ 2.75	$ 2.67

The following table presents the number of stock options, restricted stock awards, restricted stock units and performance stock units that were anti-dilutive and not included in the calculation of diluted earnings per common share for the years indicated:

(in actuals)	Year Ended December 31, 2013	2012	2011
Stock options	—	219,000	296,500
Restricted stock awards	—	—	—
Restricted stock units and performance share units	514	10,400	—

Note 21. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification will also be subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Our capital ratios exceeded all applicable regulatory requirements at December 31, 2013 and 2012 for well-capitalized institutions. As a condition of being a newly-chartered institution, we are required to maintain a Tier 1 capital to average assets (leverage ratio) of at least 8% through our first seven years until July 1, 2017. The following table presents our regulatory capital information at December 31, 2013 and 2012 and the standards for both well-capitalized depository institutions and minimum capital requirements:

($ in thousands)	December 31, 2013	2012
Regulatory Capital:		
Tier 1 capital [1]	$ 3,907,482	$ 3,103,285
Total capital [1]	4,069,440	3,241,403
Assets:		
Average assets [1]	42,513,437	33,275,599
Risk-weighted assets	$ 29,288,374	$ 23,372,187

	December 31, 2013	2012	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:				
Tier 1 capital to average assets (leverage ratio)	9.19%	9.33%	5.00%	4.00%
Tier 1 capital to risk-weighted assets	13.34%	13.28%	6.00%	4.00%
Total capital to risk-weighted assets	13.89%	13.87%	10.00%	8.00%

(1) Tier 1 capital, total capital and average assets exclude goodwill and intangible assets.

Note 22. 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 the investment management activities of FRIM, which manages assets for individuals and institutions in equities, fixed income, balanced and alternative investment accounts. The wealth management segment also includes First Republic Trust Company, a division of the Bank that offers personal trust and custody services; FRTC Delaware, a wholly-owned subsidiary of the Bank that provides trust and custody services; the Bank's mutual fund activities through third-party providers; the brokerage activities of FRSC; and the Bank's foreign exchange activities conducted on behalf of customers. In addition, the wealth management segment is allocated a portion of interest income that is earned on deposits gathered by wealth management professionals, including sweep deposit accounts.

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

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

	Year Ended December 31, 2013			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,182,008	$ 42,167	$ —	$ 1,224,175
Provision for loan losses	36,969	—	—	36,969
Noninterest income	95,258	156,843	(7,751)	244,350
Amortization of intangibles	12,229	13,918	—	26,147
Other noninterest expense	621,279	128,322	(7,751)	741,850
Income before provision for income taxes	606,789	56,770	—	663,559
Provision for income taxes	177,681	23,808	—	201,489
Segment net income	$ 429,108	$ 32,962	$ —	$ 462,070
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 41,894,183	$ 280,651	$ (62,071)	$ 42,112,763

	Year Ended December 31, 2012			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,126,311	$ 46,709	$ —	$ 1,173,020
Provision for loan losses	63,436	—	—	63,436
Noninterest income	76,080	98,595	(5,941)	168,734
Amortization of intangibles	13,964	6,508	—	20,472
Other noninterest expense	558,694	103,746	(5,941)	656,499
Income before provision for income taxes	566,297	35,050	—	601,347
Provision for income taxes	183,595	15,050	—	198,645
Net income before noncontrolling interests	382,702	20,000	—	402,702
Less: Net income from noncontrolling interests	1,538	—	—	1,538
Segment net income	$ 381,164	$ 20,000	$ —	$ 401,164
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 34,169,145	$ 267,185	$ (47,094)	$ 34,389,236

($ in thousands)	Year Ended December 31, 2011 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,041,861	$ 23,878	$ —	$ 1,065,739
Provision for loan losses	52,329	—	—	52,329
Noninterest income	43,420	78,436	(3,926)	117,930
Amortization of intangibles	15,701	7,022	—	22,723
Other noninterest expense	463,383	84,508	(3,926)	543,965
Income before provision for income taxes	553,868	10,784	—	564,652
Provision for income taxes	200,910	4,749	—	205,659
Net income before noncontrolling interests	352,958	6,035	—	358,993
Less: Net income from noncontrolling interests	4,605	—	—	4,605
Segment net income	$ 348,353	$ 6,035	$ —	$ 354,388
Goodwill	$ 24,604	$ —	$ —	$ 24,604
Total Assets	$ 27,713,046	$ 111,636	$ (30,013)	$ 27,794,669

The reconciling items for revenues include intercompany business referral fees, management fees related to the training and licensing of the Bank's licensed representatives, and fees for managing the Bank's investment portfolio. 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 23. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the year ended December 31, 2013. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the year ended December 31, 2013 or disclosure in the notes to the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
First Republic Bank:

We have audited the accompanying consolidated balance sheets of First Republic Bank and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited the Bank's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). First Republic Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Form 10-K. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on First Republic Bank's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the balance sheets of First Republic Bank and subsidiaries as of December 31, 2013 and 2012, and the related statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, First Republic Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP
San Francisco, California
February 28, 2014

FIRST REPUBLIC BANK
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Bank's internal control over financial reporting is designed by, or under the supervision of the Bank's principal executive and principal financial officers and effected by the Bank's board of directors, management and other personnel, 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. The Bank's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Bank's management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2013, using the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (1992)*. Based on this assessment, management concluded that, as of December 31, 2013, the Bank's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Bank's financial statements as of December 31, 2013 included in this Annual Report on Form 10-K, issued an audit report on the Bank's internal control over financial reporting. KPMG's audit report appears on page 166.

FIRST REPUBLIC BANK
QUARTERLY AND ADDITIONAL INFORMATION
(UNAUDITED)

($ in thousands, except per share amounts)	2013 Quarter Ended Dec. 31	2013 Sept. 30	2013 June 30	2013 Mar. 31	2012 Quarter Ended Dec. 31	2012 Sept. 30	2012 June 30	2012 Mar. 31
Interest income	$353,478	$346,050	$332,744	$323,746	$328,587	$327,336	$322,127	$309,156
Interest expense	38,654	37,840	29,652	25,697	26,253	28,515	31,530	27,888
Net interest income	314,824	308,210	303,092	298,049	302,334	298,821	290,597	281,268
Provision for loan losses	7,815	10,023	12,653	6,478	17,204	16,505	14,875	14,852
Noninterest income	56,200	53,632	62,250	72,268	55,611	43,839	36,639	32,645
Noninterest expense [1]	200,929	191,675	188,859	186,534	177,390	173,042	167,034	159,505
Income before provision for income taxes [1]	162,280	160,144	163,830	177,305	163,351	153,113	145,327	139,556
Net income [1]	115,299	111,748	112,470	122,553	109,589	102,167	97,260	92,148
Net income available to common shareholders [1]	102,499	101,359	102,764	114,777	103,055	96,500	79,969	89,697
Diluted EPS [1]	$ 0.75	$ 0.74	$ 0.76	$ 0.85	$ 0.76	$ 0.72	$ 0.60	$ 0.67

[1] Prior period amounts and ratios have been adjusted to reflect the adoption of the amended FASB standard ASC 323-740 for low income housing tax credit investments. See Note 2 to “Item 8. Financial Statements and Supplementary Data” for further discussion.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 Securities 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 December 31, 2013, 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.

Management's Report on Internal Control Over Financial Reporting

See "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting during the quarter ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference to the Bank's 2014 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 11. Executive Compensation.

This information is incorporated by reference to the Bank's 2014 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 201(d) of Regulation S-K regarding securities authorized for issuance under equity compensation plans and other information regarding security ownership is incorporated by reference to the Bank's 2014 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference to the Bank's 2014 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 14. Principal Accounting Fees and Services.

This information is incorporated by reference to the Bank's 2014 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) Financial Statements:

See "Item 8. Financial Statements and Supplementary Data."

(2) Financial Statement Schedules:

Financial Statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the Financial Statements or notes thereto.

(3) Exhibits:

The exhibits to this Annual Report on Form 10-K listed below have been included with the copy of this report filed with the Federal Deposit Insurance Corporation and on our website. Copies of individual exhibits will be furnished to shareholders upon written request to First Republic Bank.

Exhibit No.	Description
3.1	Restated Articles of Incorporation of First Republic Bank by reference to Exhibit 3.1 of Form 10-K filed on February 22, 2013.
3.2	Amended and Restated Bylaws of First Republic Bank incorporated by reference to Exhibit 3.2 of Form 10-Q filed on November 10, 2011.
4.1	Specimen stock certificate of First Republic Bank's common stock incorporated by reference to Exhibit 4.1 of Amendment No. 2 to the Bank's Registration Statement on Form 10 filed on December 7, 2010.
4.2	Deposit Agreement, dated January 24, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on January 24, 2012.
4.3	Form of Depositary Receipt (included in Exhibit 4.2).
4.4	Deposit Agreement, dated June 1, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 1, 2012.
4.5	Form of Depositary Receipt (included in Exhibit 4.4).
4.6	Deposit Agreement, dated November 23, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on November 23, 2012.
4.7	Form of Depositary Receipt (included in Exhibit 4.6).
4.8	Deposit Agreement, dated April 23, 2013, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on April 23, 2013.
4.9	Form of Depositary Receipt (included in Exhibit 4.8).
4.10	Deposit Agreement, dated October 28, 2013, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on October 28, 2013.
4.11	Form of Depositary Receipt (included in Exhibit 4.10).
4.12	Instruments defining the rights of debt holders. The registrant hereby agrees to furnish to the FDIC, upon request, copies of instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries; currently no issuance of debt of the registrant exceeds 10% of the assets of the registrant and its subsidiaries on a consolidated basis.

Exhibit No.	Description
10.1	Employment Agreement, dated June 15, 2010, between First Republic Bank and James H. Herbert, II incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 8, 2012.
10.2	Employment Agreement, dated June 15, 2010, between First Republic Bank and Katherine August-deWilde incorporated by reference to Exhibit 10.2 of Form 10-Q filed on May 8, 2012.
10.3	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between James H. Herbert, II and the Bank, and (ii) the Restricted Stock Agreement, dated as of February 27, 2012, between James H. Herbert, II and the Bank, attached as Attachment A thereto, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on May 8, 2012.
10.4	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between Katherine August-deWilde and the Bank and the Nonqualified Stock Option Agreement, dated July 1, 2010, between Katherine August-deWilde and the Bank, (ii) the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, attached as Exhibit A thereto (the "Consulting Agreement"), and (iii) the Restricted Stock Agreement, dated as of February 27, 2012, by and between Katherine August-deWilde and the Bank, attached as Attachment A to the Consulting Agreement, incorporated by reference to Exhibit 10.4 of Form 10-Q filed on May 8, 2012.
10.5	Employment Agreement Amendment No. 2, dated September 20, 2013, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between Katherine August-deWilde and First Republic Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on September 23, 2013.
10.6	Employment Agreement Amendment No. 2, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between James H. Herbert, II and the Bank.
10.7	Employment Agreement Amendment No. 3, Consulting Agreement Amendment No. 1, and Restricted Stock Agreement Amendment No. 1, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012 and December 31, 2013, between Katherine August-deWilde and the Bank, the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, the Restricted Stock Agreement, dated as of February 27, 2012, between Katherine August-deWilde and the Bank, and Letter Agreement, dated February 26, 2014, between Katherine August-deWilde and the Bank.
10.8	Advances and Security Agreement, dated as of July 1, 2010, between the Federal Home Loan Bank of San Francisco and First Republic Bank incorporated by reference to Exhibit 10.6 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.9	Form of Director and Officer Indemnification Agreement incorporated by reference to Exhibit 10.7 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.10	2010 Omnibus Award Plan, as amended and restated effective May 15, 2012, incorporated by reference to the Bank's Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders on Schedule 14A filed on April 13, 2012.
10.11	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for California Resident incorporated by reference to Exhibit 10.9 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.12	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for California Resident incorporated by reference to Exhibit 10.10 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.

Exhibit No.	Description
10.13	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for Non-California Resident incorporated by reference to Exhibit 10.11 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.14	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for Non-California Resident incorporated by reference to Exhibit 10.12 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.15	Form of Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.13 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.16	Form of Endorsement Method Split-Dollar Agreement incorporated by reference to Exhibit 10.14 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.17	Form of Restricted Stock Unit Agreement—Time Vesting under the 2010 Omnibus Award Plan incorporated by reference to Exhibit 10.15 of Form 10-K filed on February 23, 2012.
10.18	Form of Restricted Stock Agreement—Time Vesting under the 2010 Omnibus Award Plan incorporated by reference to Exhibit 10.16 of Form 10-K filed on February 23, 2012.
10.19	2012 Executive Incentive Plan, incorporated by reference to the Bank's Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders on Schedule 14A filed on April 13, 2012.
10.20	Form of Restricted Stock Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan.
10.21	Form of Restricted Stock Agreement—Performance Vesting under the 2010 Omnibus Award Plan.
10.22	Form of Performance Share Unit Agreement, dated as of June 27, 2013, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 on Form 10-Q filed on August 8, 2013.
10.23	Form of Performance Share Unit Agreement, dated as of June 27, 2013, between Katherine August-deWilde and the Bank, incorporated by reference to Exhibit 10.2 on Form 10-Q filed on August 8, 2013.
10.24	First Republic Deferred Compensation Plan.
11	Statement of Computation of Earnings Per Common Share.
12	Statement of Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of First Republic Bank.
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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the Bank has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST REPUBLIC BANK

By: /s/ WILLIS H. NEWTON, JR. **Willis H. Newton, Jr.**	Executive Vice President and Chief Financial Officer	February 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Bank and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JAMES H. HERBERT, II **(James H. Herbert, II)**	Chairman, Chief Executive Officer and Director	February 28, 2014
/s/ KATHERINE AUGUST-DEWILDE **(Katherine August-deWilde)**	President and Director	February 28, 2014
/s/ WILLIS H. NEWTON, JR. **(Willis H. Newton, Jr.)**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2014
/s/ MICHAEL J. ROFFLER **(Michael J. Roffler)**	Senior Vice President and Deputy Chief Financial Officer (Principal Accounting Officer)	February 28, 2014
/s/ THOMAS J. BARRACK, JR. **(Thomas J. Barrack, Jr.)**	Director	February 28, 2014
/s/ FRANK J. FAHRENKOPF, JR. **(Frank J. Fahrenkopf, Jr.)**	Director	February 28, 2014
/s/ WILLIAM E. FORD **(William E. Ford)**	Director	February 28, 2014
/s/ L. MARTIN GIBBS **(L. Martin Gibbs)**	Director	February 28, 2014
/s/ SANDRA R. HERNÁNDEZ **(Sandra R. Hernández)**	Director	February 28, 2014
/s/ PAMELA J. JOYNER **(Pamela J. Joyner)**	Director	February 28, 2014
/s/ REYNOLD LEVY **(Reynold Levy)**	Director	February 28, 2014
/s/ JODY S. LINDELL **(Jody S. Lindell)**	Director	February 28, 2014
/s/ GEORGE G.C. PARKER **(George G.C. Parker)**	Director	February 28, 2014

EXHIBIT 10.6

Mr. James H. Herbert, II
San Francisco, California

February 14, 2014

Re: **<u>Employment Agreement Amendment No. 2</u>**

Dear Jim:

This Amendment No. 2 (the "*Amendment"*), amends the Employment Agreement between you and First Republic Bank ("*Bank*") dated June 15, 2010, as amended pursuant to Amendment No. 1 effective February 27, 2012 (the "*Employment Agreement*"), subject to regulatory approvals, as necessary, and final approval of the Compensation Committee of the Board of Directors of Bank and ratification of the Board of Directors of Bank, effective February 14, 2014 (the "*Effective Date*"), as set forth below. Capitalized terms shall have the meanings specified in the Employment Agreement unless otherwise provided herein.

1. Term.

The expiration of the Term of your Employment Agreement is extended for one year from December 31, 2019 to December 31, 2020, subject to earlier termination under Section 6 of the Employment Agreement. The portion of the Term constituting the Extended Term is deferred by one year, from July 1, 2016 through December 31, 2019, to July 1, 2017 through December 31, 2020. During the period through June 30, 2017, you will continue to be employed by Bank in the position of Chairman and Chief Executive Officer of Bank and continue to serve as a member of the Board, subject to your being elected to the Board by the shareholders of Bank.

2. Amendments to Certain Sections of the Employment Agreement.

The years referenced in the Employment Agreement are correspondingly adjusted to reflect the one-year extension as follows:

(a) During the Extended Term, you will be paid an Annual Salary equal to 20% of the Annual Salary in effect at June 30, 2017, and the Annual Bonus as adjusted during the Extended Term will be based on Bank's Pre-Tax Profits for each year, or for the portion of the year between July 1, 2017 and December 31, 2017.

(b) The last clause of the second sentence of Section 4(b) of the Employment Agreement shall be amended to provide as follows: "; provided, however, that for each of fiscal years 2015, 2016 and 2017, your Annual Bonus shall not exceed $5,750,000;

and for each of fiscal years 2018, 2019 and 2020, your Annual Bonus shall not exceed $2,500,000".

3. Advisors' Fees.

Upon presentation of invoices evidencing such, Bank will pay the reasonable fees and expenses of your attorneys, advisors and consultants incurred in connection with the preparation and negotiation of this Amendment.

Except as amended hereby, the Employment Agreement remains in full force and effect.

Very truly yours,

First Republic Bank

/s/ Willis H. Newton, Jr.
By: Willis H. Newton, Jr.
Title: Executive Vice President and
Chief Financial Officer

Accepted and agreed:

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

Date: February 14, 2014

EXHIBIT 10.7

Ms. Katherine August-deWilde
San Francisco, California

February 14, 2014

Re: Employment Agreement Amendment No. 3, Consulting Agreement Amendment No. 1, and Restricted Stock Agreement Amendment No. 1

Dear Katherine:

This agreement (the "Agreement") amends (i) the employment agreement between you and First Republic Bank ("Bank") dated June 15, 2010, as amended pursuant to Amendment No. 1 effective February 27, 2012 and Amendment No. 2 effective December 31, 2013 (the "Employment Agreement"), (ii) the Consulting Agreement between you and Bank effective January 1, 2015, included as Exhibit A to Amendment No. 1 to the Employment Agreement (the "Consulting Agreement"), and (iii) the Restricted Stock Agreement between you and Bank dated as of February 27, 2012 (the "Restricted Stock Agreement"), subject to final approval of the Compensation Committee of the Board of Directors of Bank and ratification of the Board of Directors of Bank, effective February 14, 2014, as set forth below. Capitalized terms shall have the meanings specified in the Employment Agreement unless otherwise provided herein.

Amendment to Employment Agreement

The expiration of the Term of your Employment Agreement is extended for one year from December 31, 2014 to December 31, 2015, subject to earlier termination under Section 6 of the Employment Agreement. During the period of January 1, 2015 through December 31, 2015, you will continue to be employed by Bank in the position of President of Bank and continue to serve as a member of the Board of Directors of Bank, subject to your being elected to the Board by the shareholders of Bank.

Notwithstanding any contrary provision of the Employment Agreement, including without limitation Section 6(f), and provided your employment by Bank has continued through December 31, 2015, then upon your termination of employment:

(i) you will transition immediately into the role of "Senior Advisor" to Bank pursuant to the terms of the Consulting Agreement; and

(ii) you will be appointed Vice Chairman of Bank and shall continue to serve as a member of the Board of Directors of Bank; provided, however, that your service as a member of the Board shall be subject to your being elected to the Board by the shareholders of Bank, and your service as Vice Chairman shall also be subject

to your having been appointed to such position by the Board. As a non-employee member of the Board, although not deemed independent for at least three years, you shall be entitled to receive the retainer and fees (whether payable in cash and/or equity) and expense reimbursements then afforded by Bank to other non-employee members of the Board, including compensation for participation on Board or Bank committees.

Amendment to Consulting Agreement

The "Effective Date" of the Consulting Agreement (as defined therein) is deferred for one year from January 1, 2015 to January 1, 2016, and the expiration of the Term of the Consulting Agreement (as defined therein) is deferred for one year from December 31, 2016 to December 31, 2017. In addition, during the Term of the Consulting Agreement, if Bank is unable to provide for the continued participation of you, as a non-employee, your spouse and/or your dependents under its group health care plans, as a result of plan eligibility requirements, tax law requirements or any other applicable requirements, Bank shall pay you, on the first business day of each calendar quarter during such service, in advance, an amount sufficient on an after-tax basis to allow you to purchase such health care benefits.

Amendment to Restricted Stock Agreement

The Restricted Period (as defined in the Restricted Stock Agreement), during which your restricted stock award is scheduled to vest at the end of each quarter, is deferred for one year, so that the scheduled vesting dates will be the last day of each calendar quarter following January 1, 2016 (through and including December 31, 2017), subject to the otherwise applicable terms of the Restricted Stock Agreement. In addition, the reference to "December 31, 2014" in Section 2(c) of the Restricted Stock Agreement is replaced with a reference to "December 31, 2015."

* * *

Upon presentation of invoices evidencing such, Bank will pay the reasonable fees and expenses of your attorneys, advisors and consultants incurred in connection with the preparation and negotiation of this Agreement and the documents contemplated hereby.

Except as amended hereby, all other terms and conditions of the Employment Agreement, the Consulting Agreement and the Restricted Stock Agreement shall remain in full force and effect from and after the date of this Agreement. This Agreement, the Employment Agreement, the Consulting Agreement and the Restricted Stock Agreement, including the agreements referenced therein, constitute the complete and entire agreement among the parties relating to the subject matter thereof, and there are no prior or contemporaneous oral or written representations,

promises or agreements not expressly set forth therein. This Agreement may not be modified in any respect except by a writing dated and signed by the parties hereto.

Very truly yours,

First Republic Bank

/s/ James H. Herbert, II

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

Accepted and agreed:

/s/ Katherine August-deWilde
Katherine August-deWilde

Date: February 14, 2014

Ms. Katherine August-deWilde
San Francisco, California

February 14, 2014

Re: Employment Agreement

Dear Katherine:

This agreement (the "Agreement") references the employment agreement between you and First Republic Bank ("Bank") dated June 15, 2010, as amended pursuant to Amendment No. 1 effective February 27, 2012, Amendment No. 2 effective December 31, 2013, and Amendment No. 3 of even date herewith (the "Employment Agreement"). Capitalized terms shall have the meanings specified in the Employment Agreement, unless otherwise provided herein.

The parties acknowledge that Bank is undertaking succession planning in an effort to identify a successor to your position and the position of Chief Executive Officer, and that such efforts will involve changes in your authority, responsibilities and reporting relationships from time to time. You acknowledge that you are supportive of these efforts, and hereby waive any right to claim "Good Reason" (as defined in Section 6(e)(2) of the Employment Agreement) to terminate your employment under the terms of the Employment Agreement due to the appointment by Bank of a new Chief Operating Officer in 2014, or the assignment to others of one or more of your direct reports during 2014 and 2015 in furtherance of training and mentoring and orderly transition to future management, all of the foregoing changes being consistent with the communications which heretofore have occurred between you and the Chief Executive Officer or which are mutually agreed to by you and the Chief Executive Officer. Except to the extent of the foregoing waiver, for the avoidance of doubt, if at any time prior to December 31, 2015, there occurs a material diminution in your title, authority, duties, responsibilities or reporting relationships as originally set forth in Section 3(a) of your Employment Agreement, and as existing at the time the Employment Agreement became effective, you retain the right to terminate your employment for "Good Reason" under the terms of your Employment Agreement.

This Agreement, including the agreements referenced therein, constitutes the complete and entire agreement among the parties relating to the subject matter thereof,

and there are no prior or contemporaneous oral or written representations, promises or agreements not expressly set forth therein. This Agreement may not be modified in any respect except by a writing dated and signed by the parties hereto.

Very truly yours,

First Republic Bank

/s/ James H. Herbert, II

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

Accepted and agreed:

/s/ Katherine August-deWilde
Katherine August-deWilde

Date: February 14, 2014

EXHIBIT 10.20

FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN

RESTRICTED STOCK AGREEMENT

PERFORMANCE VESTING

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

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan (the "Plan"), pursuant to which restricted stock awards may be granted with respect to Common Stock of Bank; and

WHEREAS, Bank desires to grant Participant a restricted stock award with respect to the number of shares of Common Stock of Bank (each, a "Share") provided for herein.

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

1. Grant of Restricted Stock. Subject to the terms and conditions of this Agreement and the Plan, Bank hereby grants to Participant _______ Shares ("Restricted Stock Award" or "RSA").

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

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of RSAs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 25% of the RSAs shall become vested on each 12 month anniversary of the Date of Grant, subject to both (i) Bank's achievement of the performance goal as established by the Bank in the calendar year immediately preceding the calendar year in which the vesting date occurs and (ii) Participant's continuous employment with Bank and the Affiliates through each such vesting date. Except as may otherwise be provided herein, if

Participant's Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all Shares granted hereunder that have not vested on or prior to such termination of Service shall be forfeited by Participant and ownership thereof transferred back to Bank. No additional Shares vest after termination of Service for any reason.

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

(i) General. Subject to Participant's continued employment with Bank and the Affiliates, and notwithstanding Section 2(a) hereof, 100% of the RSAs shall become vested immediately on a Complete Change in Control, as defined in the next succeeding sentence. For purposes of this Section 2(b)(i) only, a Complete Change in Control shall mean, in one or a series of transactions, the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Bank (a "Business Combination") to a person (or group of persons acting in concert), other than to any employee benefit plan (or trust forming a part thereof) maintained by Bank or an Affiliate or to a person of which a majority of its voting power or other equity securities is owned, directly or indirectly, by Bank, where, in each case, immediately following such Business Combination, individuals and entities who were the beneficial owners, respectively, of the then-outstanding shares of common stock of Bank or the combined voting power of the then-outstanding voting securities of Bank entitled to vote generally in the election of directors, immediately prior to such Business Combination do not, solely as a result thereof, beneficially retain or acquire, directly or indirectly, any of the then-outstanding shares of common stock of Bank (or of any resulting or surviving entity or parent thereof or of Bank).

(ii) No Substitution or Assumption by Successor. The vesting of the RSAs shall also be accelerated upon any other Change in Control, as defined in the Plan, in which Bank terminates the RSAs in lieu of providing for an assumption or substitution of the RSAs pursuant to the terms of the Plan.

(c) Treatment of RSAs Upon Termination of Employment. If Participant's employment with Bank and the Affiliates is terminated prior to the expiration of the Restricted Period applicable to any outstanding RSAs for any reason (including by reason of death or Disability), then Participant shall forfeit all outstanding, unvested RSAs, which shall terminate and expire on the date of such termination of employment without consideration to Participant and without any action by Bank or any Affiliate. Neither the Participant nor any successors, heirs, assigns, or legal representatives of the Participant shall thereafter have any rights or interest in such RSAs or consideration therefor.

(d) Transferability. Unless otherwise permitted by the Committee pursuant to Section 12(c) of the Plan, the RSAs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant

other than by will or by the laws of descent and distribution until the RSAs become vested pursuant to this Agreement, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against Bank.

(e) Escrow. The Shares subject hereto shall be held in escrow in a restricted book entry account with Bank's transfer agent in the name of Participant. Upon termination of the Restricted Period, the Shares shall be released into an unrestricted book entry account with Bank's transfer agent; provided, however, that a portion of such Shares shall be surrendered in payment of required withholding taxes in accordance with Section 2(g) below, unless Bank, in its sole discretion, establishes alternative procedures for the payment of required withholding taxes.

(f) Rights as Shareholder.

(i) General. During the Restricted Period, Participant shall have all the rights of a stockholder with respect to the RSA except for the right to transfer the Shares, as set forth in this Section 2. Accordingly, Participant shall have the right to vote the Shares and to receive any cash dividends paid to or made with respect to the Shares. In the event of a change in the capital structure of Bank or similar events affecting the Common Stock, the forfeiture provisions of this Section 2 will apply to all new, substitute or additional securities or other properties to which Participant is otherwise entitled by reason of Participant's ownership of the Shares.

(ii) Shareholders Agreement. Participant agrees that the Shares shall be subject in all respects to the terms and conditions contained in the Shareholders Agreement, including, without limitation and for purposes of emphasis, Article IV of the Shareholders Agreement; provided, however, that if Participant's employment with Bank or the Affiliates is terminated for Cause, then the protections contained in Section 3.1(vi) (pro rata anti-dilution rights), 3.2 (preemptive rights), 4.5 (tag-along rights), 5.3 (piggyback registration rights) and 5.4 (demand registration rights) of the Shareholders Agreement shall lapse and no longer be applicable. For the avoidance of doubt, if, pursuant to Section 4.7 of the Shareholders Agreement, all transfer restrictions therein have terminated, then no such restrictions shall apply to the Shares.

(iii) No Call or Redemption Rights. Notwithstanding Section 2(f)(ii) of this Agreement or any provision of the Shareholders Agreement to the contrary, the Shares shall not be subject to any call or redemption right of Bank, provided, however, that nothing contained herein shall alter or supercede Section 4.6 of the Shareholders Agreement.

(iv) Legend. All certificates representing any Shares subject to the provisions of this Agreement shall have endorsed thereon the following legend:

"The shares represented by this certificate are subject to an agreement between Bank and the registered holder, a copy of which is on file at the principal office of Bank."

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

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

3. Miscellaneous.

(a) Notices. All notices, demands or other communications provided for or permitted hereunder shall be made in writing and shall be by registered or

certified first class mail, return receipt requested, telecopier, courier service, overnight mail or personal delivery:

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

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

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

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

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

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

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

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

economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

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

(i) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California in which the Participant's principal office for the performance of services to the Bank is located.

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

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

[Remainder of page intentionally left blank]

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

First Republic Bank

By: ______________________________

____
[Participant]

<u>Version One</u>

EXHIBIT A

RESTRICTIVE COVENANTS

(a) Covenants.

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

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

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to

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

(iv) <u>Confidentiality</u>. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such

circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

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

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

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

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

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

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

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

Version Two

EXHIBIT A

RESTRICTIVE COVENANTS

(a) Covenants.

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

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

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to

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

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such

circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business. You further agree that upon the termination of your employment by Bank or any subsidiary (A) you shall, upon request by Bank or its subsidiary, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any withholdings required by law) during such period, maintain yourself available to consult with Bank or its subsidiary as they shall request for 60 days for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and during such period, you shall not engage in any Competitive Business, and (B) for a period of six months after the later of the termination of your employment or the end of the period specified in clause (A) of this sentence, if applicable, you shall not take any action, directly or indirectly, that causes or could reasonably be expected to cause

any customer (or prospective customer) of Bank or any subsidiary to whom you provided services or with whom you otherwise had contact to become a customer of any business other than Bank or a subsidiary.

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

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

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

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

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

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

EXHIBIT 10.21

FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN

RESTRICTED STOCK UNIT AGREEMENT

PERFORMANCE VESTING

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

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan (the "Plan"), pursuant to which restricted stock unit awards may be granted with respect to Common Stock of Bank; and

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

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

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

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

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of RSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 25% of the RSUs shall become vested on each twelve-month anniversary of the Date of Grant, subject to both (i) Bank's achievement of the performance goals as established by the Bank in the calendar year immediately preceding the calendar year in

which the vesting date occurs, and (ii) Participant's continuous employment with Bank and the Affiliates through each such vesting date. Except as may otherwise be provided herein, if Participant's Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all Shares granted hereunder that have not vested on or prior to such termination of Service shall be forfeited by Participant and ownership thereof transferred back to Bank. No additional Shares vest after termination of Service for any reason.

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

(i) General. Subject to Participant's continued employment with Bank and the Affiliates, and notwithstanding Section 2(a) hereof, 100% of the RSUs shall become vested immediately on a Complete Change in Control, as defined in the next succeeding sentence. For purposes of this Section 2(b)(i) only, a Complete Change in Control shall mean, in one or a series of transactions, the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Bank (a "Business Combination") to a person (or group of persons acting in concert), other than to any employee benefit plan (or trust forming a part thereof) maintained by Bank or an Affiliate or to a person of which a majority of its voting power or other equity securities is owned, directly or indirectly, by Bank, where, in each case, immediately following such Business Combination, individuals and entities who were the beneficial owners, respectively, of the then-outstanding shares of common stock of Bank or the combined voting power of the then-outstanding voting securities of Bank entitled to vote generally in the election of directors, immediately prior to such Business Combination do not, solely as a result thereof, beneficially retain or acquire, directly or indirectly, any of the then-outstanding shares of common stock of Bank (or of any resulting or surviving entity or parent thereof or of Bank).

(ii) No Substitution or Assumption by Successor. The vesting of the RSUs shall also be accelerated upon any other Change in Control, as defined in the Plan, in which Bank terminates the RSUs in lieu of providing for an assumption or substitution of the RSUs pursuant to the terms of the Plan.

(c) Treatment of RSUs Upon Termination of Employment. If Participant's employment with Bank and the Affiliates is terminated prior to the expiration of the Restricted Period applicable to any outstanding RSUs for any reason (including by reason of death or Disability), then Participant shall forfeit all outstanding, unvested RSUs, which shall terminate and expire on the date of such termination of employment without consideration to Participant and without any action by Bank or any Affiliate. Neither the Participant nor any successors, heirs, assigns, or legal representatives of the Participant shall thereafter have any rights or interest in such RSUs or consideration therefor.

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

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

(f) Transferability. Unless otherwise permitted by the Committee pursuant to Section 12(c) of the Plan, the RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against Bank; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(g) Rights as Shareholder.

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

(ii) Shareholders Agreement. Participant agrees that the Shares shall be subject in all respects to the terms and conditions contained in the Shareholders Agreement, including, without limitation and for purposes of emphasis, Article IV of the Shareholders Agreement; provided, however, that if Participant's employment with Bank or the Affiliates is terminated for Cause, then the protections contained in Section 3.1(vi) (pro rata anti-dilution rights), 3.2 (preemptive rights), 4.5 (tag-along rights), 5.3 (piggyback registration rights) and 5.4 (demand registration rights) of the Shareholders Agreement shall lapse and no longer be applicable. For the avoidance of doubt, if, pursuant to Section 4.7 of the Shareholders Agreement, all transfer restrictions therein have terminated, then no such restrictions shall apply to the Shares.

(h) Withholding Taxes. To the extent that the vesting of the RSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to the

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

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

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

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

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

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

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

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

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

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

such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the RSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

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

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

(j) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California in which the Participant's principal office for the performance of services to the Bank is located.

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

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

[Remainder of page intentionally left blank]

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

First Republic Bank

By: ________________________________

Version One

EXHIBIT A

RESTRICTIVE COVENANTS

(a) Covenants.

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

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

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or

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

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner,

provided that, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

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

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

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its

subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

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

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

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

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

<u>Version Two</u>

<u>EXHIBIT A</u>

RESTRICTIVE COVENANTS

(a) <u>Covenants</u>.

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

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

(iii) <u>Confidential and Proprietary Information</u>. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or

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

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner,

provided that, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business. You further agree that upon the termination of your employment by Bank or any subsidiary (A) you shall, upon request by Bank or its subsidiary, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any withholdings required by law) during such period, maintain yourself available to consult with Bank or its subsidiary as they shall request for 60 days for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and during such period, you shall not engage in any Competitive Business, and (B) for a period of six months after the later of the termination of your employment or the end of the period specified in clause (A) of this sentence, if applicable, you shall not take any action, directly or

indirectly, that causes or could reasonably be expected to cause any customer (or prospective customer) of Bank or any subsidiary to whom you provided services or with whom you otherwise had contact to become a customer of any business other than Bank or a subsidiary.

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

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

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

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

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

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

EXHIBIT 10.24

FIRST REPUBLIC BANK
DEFERRED COMPENSATION PLAN

First Republic Bank, a corporation organized under the laws of the State of California, wishes to provide certain officers and employees of the Bank and its Subsidiaries with the opportunity to defer the receipt of certain compensation to be paid by the Bank. In furtherance thereof, the First Republic Bank Deferred Compensation Plan permits eligible officers and employees to elect, as permitted by the Committee, to defer certain compensation in accordance with the terms hereof.

1. Definitions.

Whenever used herein, the following terms shall have the meanings set forth below:

"Base Compensation" means, with respect to an employee, regularly paid cash salary earned for the calendar year in which it is paid, and excludes, without limitation, payments from, and contributions by the Bank to, any insurance, pension or retirement, savings, severance or other employee benefit plan or arrangement for the applicable calendar year.

"Bank" means First Republic Bank, a California corporation.

"Board" means the Board of Directors of the Bank.

"Bonus" means the amount earned by the Participant under the Bank's Executive Incentive Plan, or such other incentive compensation or bonus arrangement as may be designated by the Committee for deferral opportunities hereunder.

"Change in Control" means the consummation of any one of the following transactions:

(i) the Bank merges or consolidates with any other corporation, other than a merger or consolidation which would result in beneficial owners of the total voting power in the election of directors represented by the voting securities ("Voting Securities") of the Bank (as the case may be) outstanding immediately prior thereto continuing to beneficially own securities representing (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total Voting Securities of the Bank, or of such surviving entity, outstanding immediately after such merger or consolidation;

(ii) the Bank liquidates or dissolves, or sells, leases, exchanges or otherwise transfers or disposes of all or substantially all of the Bank's assets;

(iii) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Bank or any of its Subsidiaries, or (B) a corporation owned

directly or indirectly by the shareholders of the Bank in substantially the same proportions as their beneficial ownership of stock in the Bank, is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of the securities of the Bank representing 50% or more of the Voting Securities; or

(iv) (A) (I) the shareholders of the Bank approve a merger or consolidation of the Bank with any other corporation, other than a merger or consolidation which would result in beneficial owners of Voting Securities of the Bank outstanding immediately prior thereto continuing to beneficially own securities representing (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 75% of the total Voting Securities of the Bank, or of such surviving entity, outstanding immediately after such merger or consolidation, or (II) any person (as such term is used in Sections 13(d) or 14(d) of the Exchange Act), other than (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Bank, or (y) a corporation owned directly or indirectly by the shareholders of the Bank in substantially the same proportions as their ownership of stock in the Bank, is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of the securities of the Bank representing 25% or more of the Voting Securities of the Bank, and

(B) within 12 months of the occurrence of such event, a change in the composition of the Board of Directors of the Bank occurs as a result of which 60% or fewer of the directors are Incumbent Directors.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board.

Notwithstanding the foregoing, a Change in Control shall not occur unless such transaction constitutes a change in the ownership of the Bank, a change in the effective control of the Bank, or a change in the ownership of a substantial portion of the Bank's assets under Section 409A of the Code.

"Deferral Election" means an election by a Participant to defer Base Compensation and/or Bonus compensation pursuant to Section 4.

"Deferred Compensation" means any amount deferred pursuant to section 4(a) hereof.

"Earnings Rate" means the Prime Rate (as quoted in the *Wall Street Journal*) minus 0.50%. The Earnings Rate will be reset on January 1 and July 1 of each year.

"Election Notice" means the notice or notices established from time to time by the Committee for making Deferral Elections under the Plan.

"Election Period" means the period established by the Committee with respect to a calendar year or Fiscal Year during which Deferral Elections for such year must be made in accordance with the requirements of Section 409A of the Code.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fiscal Year" means calendar year, 1 January to 31 December, or the Bank's taxable year, if other than the calendar year.

"Incumbent Directors" means directors who either

(i) are directors of the Bank as of the date hereof;

(ii) are elected, or nominated for election, to the Board of Directors of the Bank with the affirmative votes of at least a majority of the directors of the Bank who are Incumbent Directors described in clause (i) above at the time of such election or nomination; or

(iii) are elected, or nominated for election, to the Board of Directors of the Bank with the affirmative votes of at least a majority of the directors of the Bank who are Incumbent Directors described in clause (i) or (ii) above at the time of such election or nomination.

Notwithstanding the foregoing, "Incumbent Directors" shall not include an individual whose election or nomination to the Board of Directors of the Bank occurs in order to provide representation for a person or group of related persons who have initiated or encouraged an actual or threatened proxy contest relating to the election of directors of the Bank.

"Participant" means an officer or employee of the Bank who defers the receipt of compensation hereunder as permitted by the Committee.

"Participant's Account" means a deferred compensation account established for a Participant in accordance with Section 5 hereof.

"Plan" means the Bank's Deferred Compensation Plan, as set forth herein and as the same may from time to time be amended.

"Separation from Service" has the meaning set forth in Section 409A(a)(2)(A)(i) of the Code and Treas. Reg. Section 1.409A-1(h), including the default presumptions thereunder.

"Specified Employee" has the meaning set forth in Section 409A(a)(2)(B)(i) of the Code and Treas. Reg. Section 1.409A-1(i).

"Subsidiary" means any corporation (other than the Bank) that is a "subsidiary corporation" with respect to the Bank under Section 424(f) of the Code. In the event the Bank becomes a subsidiary of another company, the provisions hereof applicable to

subsidiaries shall, unless otherwise determined by the Committee, also be applicable to any Bank that is a "parent corporation" with respect to the Bank under Section 424(e) of the Code.

2. Eligibility.

Each individual who is an officer or employee of the Bank or its Subsidiaries, and is selected by the Committee from time to time shall be eligible to participate in the Plan.

3. Compensation.

The amount eligible for deferral shall be determined by reference to the Participant's Base Compensation for each calendar year of employment with the Bank during which such Participant is eligible to participate, and by reference to the Participant's Bonus, if any, that may be paid with respect to a fiscal year of the Bank beginning with or within such calendar year (each a "Fiscal Year").

4. Election to Defer Compensation.

(a) The Participant may elect that up to 50% of the Participant's Base Compensation otherwise payable during a calendar year after the effective date of such election, for services performed after such effective date, and up to 90% of the Participant's Bonus, in either case in multiples of 1%, shall be payable as compensation deferred under the Plan. Subject to the last sentence of this Section 4(a), such Deferral Election shall be made prior to the beginning of the applicable calendar year, except that in the case of a new Participant, the Participant may make a Deferral Election within 30 days after such Participant first becomes eligible to participate in accordance with Section 2, with respect to Base Compensation otherwise payable in the calendar year of the election for services performed after the date of such election. (Any Deferral Election made with respect to a Bonus payable for a Fiscal Year beginning with or within a calendar year is referred to herein as an election for such calendar year, even if the Bonus would be payable (without regard to the Plan) in a subsequent calendar year.) Notwithstanding the foregoing, with respect to Bonuses, the Committee in its discretion may permit Deferral Elections after the commencement of the calendar year in which the applicable Fiscal Year commences, so long as (i) the election is made before the commencement of such Fiscal Year and as otherwise permitted under Section 409A, or (ii) in the case of a new Participant, the Deferral Election is made after the commencement of the Fiscal Year but within 30 days after such Participant first becomes eligible to participate in the Plan in accordance with Section 2, provided that the election shall apply only with respect to the portion of the Bonus paid for services performed after the election is made (which shall be deemed not more than the total amount of the Bonus for the Fiscal Year multiplied by the ratio of the number of days remaining in the Fiscal Year after the election is made over the total number of days in the Fiscal Year), and as otherwise permitted under Section 409A, or (iii) the Bonus qualifies as "performance-based compensation" within the meaning of Section 409A(a)(4)(B)(iii) of the Code, the Participant has performed services continuously from the date the performance criteria were established (or if later, the beginning of the Fiscal

Year) through the date of the election, the election is made at least six months prior to the end of the Fiscal Year and before the Bonus has become readily ascertainable, and as otherwise permitted under Section 409A.

(b) The Deferral Election shall be made in writing substantially in the form attached hereto as Exhibit A, or in such other form as the Committee may prescribe from time to time, to the Committee within the Election Period specified in Section 4(a). Such Election Notice shall also include the Payment Event(s) and the form of payment (lump sum or installments) with respect to the amount deferred, as described in Section 6. The Election Notice shall become irrevocable as of the last day of the Election Period and, with respect to the amount deferred, shall be applicable with respect to and only with respect to (i) in the case of Base Compensation, one calendar year (or the remaining portion thereof, in the case of an initial election of a new Participant), or (ii) in the case of Bonuses, one Fiscal Year.

5. Participant's Account.

(a) All Deferred Compensation with respect to a Participant shall be credited to the Participant's Account. Such credit shall be made when such Deferred Compensation would otherwise have been paid to the Participant but for an election pursuant to Section 4. The establishment and maintenance of, and credits to, the Participant's Account (whether under this Section 5(a) or Section 5(b), or otherwise) shall be mere bookkeeping entries, and shall not vest in the Participant or his beneficiary any right, title or interest in or to any specific assets of the Bank. A separate subaccount under each Participant's Account shall be established to record each year's deferrals, and the credits with respect thereto (whether under this Section 5(a) or Section 5(b), or otherwise). Such separate subaccounts shall also be established where separate elections are made with respect to Base Compensation and a Bonus.

(b) (i) With respect to participating employees, earnings shall accrue on the balance in the applicable Participant's Account (and each subaccount) at the Earnings Rate specified in advance of the effective time of the applicability of such rate. The Earnings Rate may be reviewed from time to time, by the Committee on advance notice to the Board. Such rate or rates need not be a fixed rate, and may be established by reference to an index or indices. Earnings shall be credited ratably to Participant's Accounts (and all subaccounts) as of the end of each calendar month and, with respect to any particular Participant's Account, shall continue to be credited thereto until all amounts are distributed with respect to the Participant's Account (and, as applicable, the subaccounts) in accordance with the Plan. Upon final distribution, any accrued earnings shall be credited to the Participant's Account (and each subaccount) and distributed therewith.

(ii) Without limiting the generality of the last sentence of Section 8(c), the Committee shall have no liability to the Bank, Participants or other employees, any of their beneficiaries or estates or any other person or entity, for or otherwise in connection with any decision or action taken in good faith under or in connection with this Section 5(b).

6. Payment of Deferred Compensation.

(a) Distribution of all amounts credited to any particular subaccount under the Participant's Account shall commence or be made, as applicable, as soon as practicable (but not more than 30 days) after the first day of the month to follow the month during which occurs such Participant's Separation from Service; provided that a Participant may elect on the Election Notice, in accordance with procedures to be adopted by the Committee, that such distribution will occur as soon as practicable (but not more than 30 days) after the first day of the month to follow the month during which occurs (i) the Participant's attainment of an age selected by the Participant, (ii) the Participant's Separation from Service, (iii) the first to occur of such attainment or Separation from Service, (iv) the last to occur of such attainment or Separation from Service, or (v) such other date as the Committee may permit in accordance with rules and procedures adopted thereby which complies with Section 409A of the Code (each of which, including a Change in Control described in Section 6(e), is referred to as a "Payment Event"). Distributions upon termination of employment shall only be made upon a Separation from Service. Notwithstanding the foregoing, the distribution of the Participant's Account, if not earlier pursuant to this Section 6(a), shall occur as soon as practicable (but not more than 30 days) following notice of the Participant's death.

(b) Distribution of the applicable subaccount shall be payable in a single-sum payment by the Bank; provided that, the Committee may permit the Participant to elect on the Election Notice in accordance with rules and procedures established by the Committee (which rules and procedures may include, without limitation, provision for the crediting of earnings on unpaid amounts) to receive installment payments over a period not to exceed 10 years.

(c) The Committee may (but need not) permit the Participant to make an election, in accordance with procedures established by the Committee, at least twelve (12) months before the amounts would otherwise become payable under Section 6(a), to change the time at which such payments would commence (or be made, as applicable) under Section 6(a) and the manner in which they would be paid under Section 6(b), provided that the payment of such amounts be deferred for a period of not less than five years from the date payment would otherwise have been made (or commenced, in the case of installment payments), and the new election not take effect for at least twelve (12) months after it is made.

(d) Notwithstanding Sections 6(a) through 6(c), a Participant may receive a distribution from his or her Participant's Account (pro rata from each subaccount) in the event of an "Unforeseeable Emergency." For these purposes, an "Unforeseeable Emergency," as determined by the Committee in its sole discretion, is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, the Participant's spouse, or "dependent," as defined in Section 152(a) of the Code (without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an Unforeseeable

Emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved:

(i) through reimbursement or compensation by insurance or otherwise,

(ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(iii) by future cessation of deferrals under the Plan.

Without limitation, the need to send a Participant's child to college or the desire to purchase a home shall not constitute an Unforeseeable Emergency. Distributions of amounts because of an Unforeseeable Emergency shall be permitted to the extent reasonably needed to satisfy the emergency need. Payment will be made from a Participant's Account as soon as practicable (but not more than 30 days) following the Committee's determination that an Unforeseeable Emergency has occurred and authorization of payment from the Participant's Account.

(e) Notwithstanding the foregoing provisions of this Section 6, in the event of a Change in Control, distribution of a Participant's Account shall occur as soon as practicable (but in no event more than 30 days) after such Change in Control, unless such Participant elects otherwise on the Election Notice in accordance with procedures established by the Committee. The Committee may also, in its sole discretion, accelerate payment of all or a portion of a Participant's Account in accordance with the provisions of Treas. Reg. Section 1.409A-3(j)(4).

(f) Notwithstanding anything in the Plan to the contrary, if a Participant is a Specified Employee as of the date of his or her Separation from Service, then no distribution of such Participant's Account shall be made upon the Participant's Separation from Service until the first payroll date of the seventh month following the Participant's Separation from Service (or, if earlier, upon the date of the Participant's death) (the "**Specified Employee Payment Date**"). Any payments to which a Specified Employee otherwise would have been entitled under the Plan during the period between the Participant's Separation from Service and the Specified Employee Payment Date shall be accumulated and paid in a lump sum payment on the Specified Employee Payment Date, and any remaining payments shall be made thereafter in accordance with their original schedule.

7. Administration; Interpretation and Amendments.

(a) The Plan shall be administered by the Committee. The Committee shall consist of at least two individuals each of whom shall be a "nonemployee director" as defined in Rule 16b-3 as promulgated by the Securities and Exchange Commission under the Exchange Act. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, in person or by phone, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan; provided that the otherwise applicable procedures of the Committee, to the extent inconsistent with the provisions of this sentence, shall control.

If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member.

(b) The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine the extent, if any, to which Deferred Compensation shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (ii) interpret the Plan and the elections under the Plan, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law, provided that the Committee's interpretation shall not be entitled to deference on and after a Change in Control except to the extent that such interpretations are made exclusively by members of the Committee who are individuals who served as Committee members before the Change in Control; and (iii) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. Unless otherwise expressly provided hereunder, the Committee, with respect to any credit to a Participant's Account, may exercise its discretion hereunder at the time of such credit or thereafter. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee, except as provided in clause (ii) of the foregoing sentence, shall be final and binding upon all persons.

(c) The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to Deferred Compensation previously credited to a Participant's Account without the consent of the Participant unless such amendments are required in order to comply with applicable laws. The Board may terminate the Plan at any time provided that no payment of benefits shall occur upon termination unless the requirements of Section 409A of the Code have been satisfied.

8. Assignment and Alienation; Funding.

(a) Rights or benefits with respect to Deferred Compensation credited to a Participant's Account under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, prior to actually being received by the person entitled to the benefit under the terms of the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach, charge or otherwise dispose of any right or benefits payable hereunder shall be void.

(b) A Participant may designate in writing, on forms to be prescribed by the Committee, a beneficiary or beneficiaries to receive any payments payable after his or her death and may amend or revoke such designation at any time. If no beneficiary designation is in effect at the time of a Participant's death, payments hereunder shall be made to the Participant's estate. If a Participant dies before his or her Participant's Account has been fully distributed, any amounts then payable to the Participant shall be

paid as soon as practicable in a single sum to the Participant's beneficiary or beneficiaries, or estate, as applicable.

(c) Credits to a Participant's Account hereunder shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Bank may establish a mere bookkeeping reserve to meet its obligations hereunder or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. All payments from a Participant's Account hereunder shall be paid in cash from the general funds of the Bank (or such trust or other funding vehicle, if applicable). The right of any Participant to receive such payments by virtue of participation in the Plan shall be no greater than the right of any unsecured general creditor of the Bank. Nothing contained in the Plan, and no action taken pursuant to the provisions of the Plan, shall create or shall construed to create a trust or any kind, or a fiduciary relationship between the Bank or its officers or the Committee, on the one hand, and the Participant, the Bank or any other person or entity, on the other.

9. Notices.

All notices under the Plan shall be in writing, or by electronic communication where expressly permitted, and if to the Bank, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally or mailed (including electronically) to the Participant at the address appearing in the records of the Bank. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 9.

10. No Rights to Employment or Other Service.

Nothing in the Plan or in amounts credited to a Participant's Account pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Bank or its Subsidiaries or interfere in any way with the right of the Bank or its Subsidiaries and its shareholders to terminate the individual's employment or other service at any time.

11. Exculpation and Indemnification.

To the maximum extent permitted by law, the Bank shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan.

12. Claim Procedures.

(a) The Participant, or his beneficiary hereunder or authorized representative (the "Claimant"), may file a claim for benefits with respect to Deferred Compensation credited under the Plan by written communication to the Committee or its designee. A claim is not considered filed until such communication is actually received. Within 90

days (or, if special circumstances require an extension of time for processing, 180 days, in which case written or electronic notice and description of such special circumstances, and the date by which the Committee expects to tender its decision, shall be provided within the initial 90-day period) after the filing of the claim, the Committee will either:

(i) approve the claim and take appropriate steps for satisfaction of the claim; or

(ii) if the claim is wholly or partially denied, advise the Claimant of such denial by furnishing to him a written or electronic notice of such denial setting forth (A) the specific reason or reasons for the denial; (B) specific reference to pertinent provisions of the Plan on which the denial is based and, if the denial is based in whole or in part on any rule of construction or interpretation adopted by the Committee, a reference to such rule, a copy of which shall be provided to the Claimant; (C) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of the reasons why such material or information is necessary; and (D) a description of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following a denial of the claim on appeal.

(b) The Claimant may request a review of any denial of his claim by written application to the Committee within 60 days after receipt of the notice of denial of such claim. The Committee shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing to the Committee. The Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination. Within 60 days (or, if special circumstances require an extension of time for processing, 120 days, in which case notice and description of such special circumstances and the expected date of decision shall be provided within the initial 60-day period) after receipt of written application for review, the Committee will provide the Claimant with its decision in writing or by electronic communication, including, if the Claimant's claim is not approved, (A) specific reasons for the decision, (B) specific references to the Plan provisions on which the decision is based, (C) a statement that the Claimant may receive on request all relevant records at no charge; and (D) a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

(c) The internal claims procedures set forth in this Section 12 are mandatory. If a Claimant fails to follow these claims procedures, or to timely file a request for appeal in accordance with this Section 12, the denial of the Claim shall become final and binding on all persons for all purposes.

13. Captions.

The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

14. Taxes.

(a) The Bank intends that the Plan comply with the requirements of Section 409A of the Code, and the Plan shall be operated and interpreted consistent with that intent. Notwithstanding the foregoing, the Bank makes no representation that the Plan complies with Section 409A of the Code and shall have no liability to any Participant for any failure to comply with Section 409A of the Code.

(b) The Bank shall have the right to deduct from payroll or other amounts due to a Participant, or any amounts otherwise payable under the Plan, any federal, state, local, or other applicable taxes required to be withheld.

15. Governing Law.

This Plan and the rights of Participants hereunder shall be governed by and construed in accordance with the laws of the State of California, without regard to the choice of law provisions thereof (except and to the extent preempted by applicable Federal law).

Exhibit A

2014
COMBINED DEFERRAL ELECTION AND AGREEMENT
UNDER THE FIRST REPUBLIC BANK
DEFERRED COMPENSATION PLAN
(APPLICABLE TO BASE COMPENSATION PAYABLE FOR
AND ANY ANNUAL BONUS EARNED FOR SERVICES PERFORMED IN SUCH YEAR)

Name of Participant: ____
(Please print)

I. Pursuant to the First Republic Bank Deferred Compensation Plan (the "Deferred Compensation Plan"), I hereby elect (i) to defer compensation otherwise payable to me as an employee of First Republic Bank (the "Bank"), and (ii) to make certain distribution elections as set forth below. I acknowledge that I have been provided with a copy of the Plan, which I have read and understood. My elections herein and the terms of this Election Notice are subject in all respects to the terms of the Plan. Capitalized terms used but not defined below shall have the respective meanings ascribed thereto by the Deferred Compensation Plan, unless otherwise specified.

II. A. Base Compensation Election:

I hereby **irrevocably** elect to defer receipt of ____% [must be in 1% multiples, no greater than 50%] of my Base Compensation (as defined in the Deferred Compensation Plan) for the year 2014 in accordance with the terms of the Deferred Compensation Plan and this Election Notice.

B. Bonus Election:

I hereby **irrevocably** elect to defer receipt of ____% [must be in 1% multiples, up to 90%] of my Bonus (as defined in the Deferred Compensation Plan), if any, for service performed in the year 2014 in accordance with the terms of the Deferred Compensation Plan and this Election Notice.

III. The deferred compensation otherwise payable to me will be tracked in a cash equivalent account. I understand that I will be earning interest on my account balance at the *Wall Street Journal's* quoted Prime Rate of Interest minus 0.50%, with this rate reset as of January 1 and July 1 of each year.

IV. I hereby elect that (except as may be set forth below in the case of a Change in Control) all distributions to me under the Plan attributable to my elections in Sections II and III above commence to be distributed to me as soon as practicable after the first day of the month to follow the month during which occurs [select one]:

(a) _____ my Separation from Service, before or after my reaching retirement age of 65 (upon _____________, 20__)

(b) _____ my reaching age _____ (upon ____________, 20__)

(c) _____ other ____
[specify date of commencement]

V. I hereby elect that (except as may be set forth below in the case of a Change in Control) all distributions to me under the Plan attributable to my elections in Sections II, III and IV above be made in [select one]:

(a) ____ one single sum

(b) ____ approximately equal annual installments to be made over ___ years [not to exceed 10 years] beginning on the date elected in Section IV above

VI. I understand that notwithstanding the foregoing, if my employment terminates for any reason before I attain retirement age (at or after age 65), or upon my death at any time, all distributions (including any remaining distributions) to be made to me under the Plan attributable to my elections in Sections II, III and IV above shall be made as soon as practicable after the first day of the month to follow the month during which such termination or death occurs. **Please note, however, as required under Section 409A of the Internal Revenue Code (governing deferred compensation), individuals designated as "key employees" of the Bank may not receive distributions in connection with a separation from service until a date that is at least six months after the date of such separation from service. If you elect to receive your distributions on a set date, this requirement does not apply.**

VII. I understand that payments under the Deferred Compensation Plan will be accelerated in the event of a Change in Control, unless I make an election to the contrary. I hereby irrevocably elect to:

(a) ____ Accelerate payment in the event of Change In Control

(b) ____ Continue my deferral and do not accelerate payment in the event of Change in Control

VIII. I understand that my elections under Section II above may not be revoked. I understand that, except as may be permitted by the Committee in accordance with the Plan, my elections under Sections IV, V and VII above may not be revoked other than in the event of an Unforeseeable Emergency as determined in accordance with the Plan. I understand that all of my elections in this Deferral Election apply only with respect to compensation earned for services performed in 2014, and I hereby acknowledge that if I wish to defer any of my compensation with respect to future calendar years, I will need to make a new Deferral Election by completing another Election Notice and submitting it to the Committee on or before the Election Deadline for such year.

IX. I understand that earnings shall accrue on the balance in my account (or accounts) set up pursuant to my election under Section III, and that the Committee shall have no liability in connection with such earnings. I further understand that (i) any accounts established on my behalf under the Plan and the credits thereto are mere bookkeeping entries and are not FDIC insured or Bank guaranteed, (ii) the obligations of the Bank under the Plan are unsecured and constitute a mere promise by the Bank to make benefit payments in the future, (iii) to the extent that any person acquires a right to receive payments from the

Bank under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Bank, (iv) all payments under the Plan shall be paid from the general funds of the Bank, and (v) no special or separate fund shall be established or other segregation of assets made to assure such payments (except that the Bank may in its discretion establish a mere bookkeeping reserve to meet its obligations under the Deferred Compensation Plan). I acknowledge and agree that the Deferred Compensation Plan is intended to be an arrangement that is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. I understand that the Plan is intended to comply with Section 409A of the Internal Revenue Code and that it will be interpreted accordingly. However, I understand that the Company will have no liability with respect to any failure to comply with Section 409A of the Internal Revenue Code. I further acknowledge that I have been alerted to the effect that my elections may have under other plans and programs of the Bank, and have consulted my tax and other advisors to the extent I have deemed appropriate.

____
Signature

____
Date

ACCEPTED ON BEHALF OF THE
COMPENSATION COMMITTEE

By: ____________________________

____
Date

EXHIBIT 11

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	Year Ended December 31, 2013	2012 [1]	2011 [1]
Basic EPS:			
Net income	$ 462,070	$ 401,164	$ 354,388
Less: Dividends on preferred stock	40,671	18,743	—
Redemption of FRPCC preferred stock	—	13,200	—
Net income available to common shareholders	$ 421,399	$ 369,221	$ 354,388
Weighted average common shares outstanding	131,326	130,051	129,061
Net income per common share—basic	$ 3.21	$ 2.84	$ 2.75
Diluted EPS:			
Net income available to common shareholders	$ 421,399	$ 369,221	$ 354,388
Weighted average shares:			
Common shares outstanding	131,326	130,051	129,061
Dilutive effect of stock options	4,360	4,084	3,663
Dilutive effect of restricted stock awards, restricted stock units and performance stock units	263	54	—
Weighted average diluted common shares outstanding	135,949	134,189	132,724
Net income per common share—diluted	$ 3.10	$ 2.75	$ 2.67

(1) Prior period amounts have been adjusted to reflect the adoption of the amended FASB standard ASC 323-740 for low income housing tax credit investments. See Note 2 to "Item 8. Financial Statements and Supplementary Data" for further discussion.

EXHIBIT 12

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

($ in thousands)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Six Months Ended December 31, 2010	Six Months Ended June 30, 2010 [1]	Year Ended December 31, 2009 [1]
Earnings before adjustment for fixed charges:						
Income before income taxes and noncontrolling interest in subsidiaries [2]	$663,559	$601,347	$564,652	$243,673	$228,381	$605,778
Preferred stock dividends of subsidiaries	—	(2,676)	(7,774)	(4,168)	(4,168)	(8,381)
Redemption of subsidiary's preferred stock	—	(13,200)	—	—	—	—
Earnings before adjustment for fixed charges [2]	$663,559	$585,471	$556,878	$239,505	$224,213	$597,397
Fixed charges and preferred stock dividend requirements:						
I. Excluding interest on deposits:						
Interest on borrowings	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479
Preferred stock dividends of subsidiaries	—	2,676	7,774	4,168	4,168	8,381
Redemption of subsidiary's preferred stock	—	13,200	—	—	—	—
Estimated interest component of net rental expense	17,658	16,777	12,884	5,653	6,113	10,058
Total fixed charges, excluding interest on deposits	88,684	89,858	54,608	18,642	15,541	52,918
Preferred stock dividend requirements	70,732	32,597	—	—	—	—
Fixed charges and preferred stock dividend requirements	$159,416	$122,455	$ 54,608	$ 18,642	$ 15,541	$ 52,918
Earnings, including fixed charges [2]	$752,243	$675,329	$611,486	$258,147	$239,754	$650,315
Ratio of earnings to fixed charges and preferred stock dividend requirements [2]	4.72x	5.51x	11.20x	13.85x	15.43x	12.29x
II. Including interest on deposits:						
Interest on borrowings	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479
Preferred stock dividends of subsidiaries	—	2,676	7,774	4,168	4,168	8,381
Redemption of subsidiary's preferred stock	—	13,200	—	—	—	—
Estimated interest component of net rental expense	17,658	16,777	12,884	5,653	6,113	10,058
Interest on deposits	60,817	56,981	83,268	45,116	90,339	223,964
Total fixed charges, including interest on deposits	149,501	146,839	137,876	63,758	105,880	276,882
Preferred stock dividend requirements	70,732	32,597	—	—	—	—
Fixed charges and preferred stock dividend requirements	$220,233	$179,436	$137,876	$ 63,758	$105,880	$276,882
Earnings, including fixed charges [2]	$813,060	$732,310	$694,754	$303,263	$330,093	$874,279
Ratio of earnings to fixed charges and preferred stock dividend requirements [2]	3.69x	4.08x	5.04x	4.76x	3.12x	3.16x

(1) Represents the Predecessor's period.

(2) Prior period amounts and ratios have been adjusted to reflect the adoption of the amended FASB standard ASC 323-740 for low income housing tax credit investments. See Note 2 to "Item 8. Financial Statements and Supplementary Data" for further discussion.

EXHIBIT 21

FIRST REPUBLIC BANK

SUBSIDIARIES

The following is a list of the subsidiaries of First Republic Bank as of December 31, 2013:

Subsidiary	State of Incorporation or Organization
First Republic Lending Corporation	Nevada
First Republic Investment Management, Inc.	New York
First Republic Securities Company, LLC	Nevada
First Republic Trust Company of Delaware LLC	Delaware

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of First Republic Bank;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual 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: February 28, 2014

/s/ James H. Herbert, II

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

EXHIBIT 31.2

CERTIFICATION

I, Willis H. Newton, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of First Republic Bank;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual report any change in the registrant's internal controls 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: February 28, 2014

/s/ Willis H. Newton, Jr.

Name: Willis H. Newton, Jr.
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 Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K"), 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2014

/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 Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K"), 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2014

/s/ Willis H. Newton, Jr.

Name: Willis H. Newton, Jr.
Title: Executive Vice President and Chief Financial Officer