

# FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

## FORM 8-K

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

Date of Report (Date of earliest event reported): January 15, 2015

## FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction  
of incorporation)

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

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

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

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

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

Attached as Exhibit 99.1 and incorporated into this item by reference is a press release issued by First Republic Bank (the “Bank”) on January 15, 2015, regarding its financial results for the quarter and year ended December 31, 2014. The information furnished by the Bank pursuant to this item shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

## **Item 9.01 Financial Statements and Exhibits.**

*(d) Exhibits.*

Exhibit 99.1	Press Release issued by the Bank, dated January 15, 2015, with respect to the Bank’s financial results for the quarter and year ended December 31, 2014.
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## SIGNATURES

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

Date: January 15, 2015.

First Republic Bank

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

## EXHIBIT INDEX

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
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## **FIRST REPUBLIC REPORTS STRONG QUARTER AND RECORD ANNUAL NET INCOME**

### ***Core Revenues up 17%; Wealth Management Revenues up 29% for the Year***

**San Francisco, California, January 15, 2015** – First Republic Bank (NYSE: FRC) today announced financial results for the quarter and year ended December 31, 2014.

“First Republic reported record net income in 2014 due to strong performance across all areas of the enterprise,” said Chairman and CEO Jim Herbert. “Driven by robust revenue growth, core EPS was \$0.67 for the quarter and a record \$2.83 for the year. Asset quality remains excellent.”

### **Full Year Highlights**

#### ***Financial Results***

- Core revenues were up 17.1%. <sup>(1)</sup>
- Net income was \$487.0 million.
- Diluted earnings per share (“EPS”) of \$3.07.
- Core net income was \$453.6 million, a record. <sup>(1)</sup>
- Core diluted EPS of \$2.83, a record. <sup>(1)</sup>
- Loan originations totaled \$17.0 billion, second highest year ever.
- Loans sold totaled \$4.4 billion, highest ever.
- Core net interest margin was 3.14%, compared to 3.26% for the prior year. <sup>(1)</sup>
- Core efficiency ratio was 57.6%. <sup>(1)</sup>

#### ***Continued Financial and Credit Strength***

- Tier 1 leverage ratio was 9.43%.
- Book value per share was \$28.13, up 14.2% from a year ago.
- Nonperforming assets continued to be extremely low at 10 basis points of total assets.
- Net charge-offs for the year were only 1 basis point of average loans.

#### ***Franchise Development***

- Loans outstanding, excluding loans held for sale, totaled \$37.9 billion, up 10.9% from a year ago.
- Deposits were \$37.1 billion, up 15.7%.
- Wealth management assets were \$53.4 billion, up 28.4%.
- Wealth management revenues were \$172.7 million, up 29.3%.

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

**Quarterly Highlights*****Financial Results***

- Core revenues were \$401.3 million. <sup>(1)</sup>
- Net income was \$115.5 million.
- Diluted EPS of \$0.72.
- Core net income was \$108.7 million. <sup>(1)</sup>
- Core diluted EPS of \$0.67. <sup>(1)</sup>
- Loan originations totaled \$4.3 billion.
- Loans sold totaled \$991.3 million.
- Core net interest margin was 3.06%, compared to 3.09% for the prior quarter. <sup>(1)</sup>
- Core efficiency ratio was 59.9%. <sup>(1)</sup>
- Wealth management assets were \$53.4 billion, up 3.9%.
- Total deposits were up \$1.5 billion; average checking balances represented 56% of average total deposits.

“Wealth management and business banking performed very well in the fourth quarter and for the full year,” said President Katherine August-deWilde. “We continued to make significant investments for an enhanced regulatory environment, while deepening relationships with existing clients and winning many new clients.”

**Quarterly Cash Dividend Declared**

The Bank declared a cash dividend for the fourth quarter of \$0.14 per share of common stock, which is payable on February 12, 2015 to shareholders of record as of January 29, 2015.

**Strong Asset Quality**

The Bank’s credit quality remains very strong. Nonperforming assets were 10 basis points of total assets.

Net charge-offs were only \$2.1 million for the year, less than 1 basis point of average loans.

**Capital Strength**

The Bank’s Tier 1 leverage ratio was 9.43% at December 31, 2014. The Tier 1 common equity ratio was 10.90% at December 31, 2014.

**Growing Book Value**

Book value per common share was \$28.13 at December 31, 2014, up 2.4% for the quarter and up 14.2% from a year ago.

**Franchise Development***Loan Originations*

Loan originations totaled \$4.3 billion for the quarter. Single family originations were \$2.2 billion, or 52% of total originations. In addition, over 52% of the quarter's single family originations were for purchases.

*Mortgage Banking Activity*

Loan sales volume and profitability for the fourth quarter were up compared to the same period last year. The Bank sold \$991.3 million of primarily intermediate-term, fixed-rate home loans during the quarter and recorded a gain on sale of \$4.1 million. The margin on such loan sales was 0.41%.

For the year ended December 31, 2014, the Bank sold a record \$4.4 billion of loans, compared to \$2.7 billion for the prior year. Gain on sale of loans for the year ended December 31, 2014 was \$35.5 million, compared to \$36.3 million for the prior year. These loan sales are used in the ordinary course of business to help provide a full range of lending options for our clients, while also managing asset growth and interest rate risk.

Loans serviced for investors at year-end totaled \$9.6 billion, up 8.3% for the quarter and 59.8% from a year ago. Loan servicing fees for the year were \$9.7 million, up from \$7.2 million during the prior year.

*Investments*

Total investments at December 31, 2014 were \$6.6 billion, up 37.6% compared to a year ago. As of December 31, 2014, investments that are high-quality liquid assets, from a regulatory perspective, totaled \$3.1 billion.

*Expansion of Wealth Management*

Wealth management revenues totaled \$46.8 million for the quarter, up 4.7% compared to the prior quarter and up 26.2% compared to last year's fourth quarter.

Wealth management revenues were \$172.7 million for the year, an increase of 29.3% compared to the prior year.

Total wealth management assets were \$53.4 billion, up 3.9% for the quarter and up 28.4% for the year. The growth in wealth management assets was primarily due to net new assets from both existing and new clients. Wealth management assets include investment management assets of \$27.5 billion, brokerage assets and money market mutual funds of \$19.7 billion, and trust and custody assets of \$6.2 billion.

### Deposit Results

Total deposits increased to \$37.1 billion, up 4.3% for the quarter and up 15.7% for the year. At December 31, 2014, 58% of deposits were checking accounts.

The average contractual rate paid on all deposits declined to 0.17% for the quarter, compared to 0.19% for the prior quarter.

## **Income Statement and Key Ratios**

### ***Highlights***

#### Strong Core Revenue Growth

Total revenues were \$416.7 million for the quarter and \$1.6 billion for 2014.

Core revenues were \$401.3 million for the quarter, a 16.0% increase from the fourth quarter of last year. <sup>(1)</sup>

Core revenues were \$1.6 billion for 2014, up 17.1% from 2013. <sup>(1)</sup>

#### Continued Net Interest Income Growth

Net interest income was \$340.9 million for the quarter and \$1.3 billion for the year.

Core net interest income was \$325.5 million for the quarter, up 1.6% from the prior quarter. <sup>(1)</sup>

Core net interest income for 2014 was \$1.3 billion, up 14.4% from 2013. <sup>(1)</sup>

#### Net Interest Margin

The Bank's net interest margin was 3.21% for the quarter and 3.32% for the year.

The core net interest margin was 3.06% for the quarter, compared to 3.09% for the prior quarter. For 2014, the core net interest margin was 3.14%, compared to 3.26% for 2013. <sup>(1)</sup> The decrease was primarily the result of a decrease in contractual loan yields.



*Strong Noninterest Income Growth*

Noninterest income for the quarter was \$75.8 million, up 34.9% from the fourth quarter of 2013. Noninterest income was \$318.4 million for 2014, up 30.3% from 2013. The quarter's increase compared to last year's fourth quarter was primarily due to increases in investment advisory fees, gain on sale of loans and foreign exchange fees. The increase for the full year was primarily due to increases in investment advisory fees, gain on investments and foreign exchange fees.

Noninterest income represented 20.2% of total core revenues for the year, up from 18.2% for the prior year.

*Noninterest Expense and Efficiency Ratio*

Noninterest expense for the quarter was \$244.2 million, a 2.4% increase over the prior quarter. For 2014, noninterest expense was \$922.7 million, up 20.1% from 2013. The increase in noninterest expense from the prior quarter was primarily due to increased salaries and information systems costs and the increase from the prior year was primarily due to increased salaries, professional fees and information systems costs. These increases were primarily attributable to the Bank's investments in compliance and related infrastructure build-out to address enhanced regulatory standards as the Bank prepares to grow past \$50 billion in total assets.

The Bank's efficiency ratio was 58.6% for the quarter and 56.0% for 2014.

The Bank's core efficiency ratio was 59.9% for the quarter, compared to 55.4% (58.7% excluding gain on sales of investment securities) for the prior quarter. For 2014, the Bank's core efficiency ratio was 57.6%, compared to 55.8% for 2013. <sup>(1)</sup>

***Income Tax Rate***

The Bank's effective tax rate for 2014 was 27.3%, compared to 30.4% for 2013. The decrease in the effective tax rate results from the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

**Conference Call Details**

First Republic Bank's fourth quarter 2014 earnings conference call is scheduled for January 15, 2015 at 7:00 a.m. PT / 10:00 a.m. ET. To listen to the live call by telephone, please dial (855) 224-3902 approximately 10 minutes prior to the start time (to allow time for registration) and use conference ID #57294250. International callers should dial (734) 823-3244. The call will also be broadcast live over the Internet and can be accessed in the Investor Relations section of First Republic's website at [www.firstrepublic.com](http://www.firstrepublic.com). To listen to the live webcast, please visit the site at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. A replay of the call will also be available for 90 days on the website. For those unable to participate in the live presentation, a replay will be available beginning January 15, 2015, at 10:30 a.m. PT / 1:30 p.m. ET, through January 22, 2015, at 8:59 p.m. PT / 11:59 p.m. ET. To access the replay, dial (855) 859-2056 (U.S.) and use conference ID #57294250. International callers should dial (404) 537-3406 and enter the same conference ID number. The Bank's press releases are available after release on the Bank's website at [www.firstrepublic.com](http://www.firstrepublic.com).

**About First Republic Bank**

Founded in 1985, First Republic and its subsidiaries offer private banking, private business banking and private wealth management, including investment, trust and brokerage services. First Republic specializes in delivering exceptional, relationship-based service, with a solid commitment to responsiveness and action. Services are offered through preferred banking or wealth management offices primarily in San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland, Boston, Palm Beach, Greenwich and New York City. First Republic offers a complete line of banking products for individuals and businesses, including deposit services, as well as residential, commercial and personal loans. For more information, visit [www.firstrepublic.com](http://www.firstrepublic.com).

**Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this press release that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases and include statements about economic performance in our markets, growth in our loan originations and wealth management assets, our progress in preparing for enhanced regulatory requirements, and our projected tax rate. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: our ability to compete for banking and wealth management customers; earthquakes and other natural disasters in our markets; changes in interest rates; our

ability to maintain high underwriting standards; economic conditions in our markets; conditions in financial markets and economic conditions generally; regulatory restrictions on our operations and current or future legislative or regulatory changes affecting the banking and investment management industries. For a discussion of these and other risks and uncertainties, see First Republic's FDIC filings, including, but not limited to, the risk factors in First Republic's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available in the Investor Relations section of our website. All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

**CONSOLIDATED STATEMENT OF INCOME**

(in thousands, except per share amounts)	Quarter Ended December 31,		Quarter Ended September 30,	Year Ended December 31,	
	2014	2013	2014	2014	2013
Interest income:					
Loans	\$ 322,177	\$ 307,876	\$ 322,987	\$ 1,271,562	\$ 1,193,931
Investments	55,652	43,965	52,429	207,736	159,086
Cash and cash equivalents	1,170	1,637	980	3,711	3,001
Total interest income	378,999	353,478	376,396	1,483,009	1,356,018
Interest expense:					
Deposits	14,470	18,049	15,935	60,454	60,817
Borrowings	23,674	20,605	24,472	91,795	71,026
Total interest expense	38,144	38,654	40,407	152,249	131,843
Net interest income	340,855	314,824	335,989	1,330,760	1,224,175
Provision for loan losses	14,076	7,815	13,515	56,486	36,969
Net interest income after provision for loan losses	326,779	307,009	322,474	1,274,274	1,187,206
Noninterest income:					
Investment advisory fees	39,892	30,731	38,443	147,840	112,121
Brokerage and investment fees	4,341	3,912	3,665	14,404	11,892
Trust fees	2,600	2,478	2,604	10,483	9,588
Foreign exchange fee income	6,265	3,248	4,728	19,552	13,912
Deposit fees	4,634	4,545	4,653	18,468	18,258
Gain on sale of loans	4,107	306	13,713	35,515	36,290
Loan servicing fees, net	3,174	2,152	2,523	9,701	7,230
Loan and related fees	2,465	1,741	2,590	8,658	7,515
Income from investments in life insurance	8,389	6,756	7,770	29,558	24,365
Gain (loss) on investment securities, net	(567)	(441)	23,580	21,837	531
Other income	534	772	402	2,339	2,648
Total noninterest income	75,834	56,200	104,671	318,355	244,350
Noninterest expense:					
Salaries and employee benefits	129,980	103,301	122,585	490,341	402,222
Occupancy	26,082	23,306	24,841	98,466	91,120
Information systems	26,360	22,132	24,445	95,387	79,955
Professional fees	17,042	7,316	18,355	53,429	22,488
FDIC and other deposit assessments	8,300	7,500	7,900	31,294	27,976
Advertising and marketing	5,484	6,994	6,204	25,703	25,459
Amortization of intangibles	5,368	6,218	5,580	22,744	26,147
Other expenses	25,534	24,162	28,467	105,382	92,630
Total noninterest expense	244,150	200,929	238,377	922,746	767,997
Income before provision for income taxes	158,463	162,280	188,768	669,883	663,559
Provision for income taxes	43,004	46,981	52,757	182,877	201,489
Net income	115,459	115,299	136,011	487,006	462,070
Dividends on preferred stock	13,889	12,800	13,889	55,556	40,671
Net income available to common shareholders	\$ 101,570	\$ 102,499	\$ 122,122	\$ 431,450	\$ 421,399
Basic earnings per common share	\$ 0.74	\$ 0.78	\$ 0.89	\$ 3.16	\$ 3.21
Diluted earnings per common share	\$ 0.72	\$ 0.75	\$ 0.86	\$ 3.07	\$ 3.10
Dividends per common share	\$ 0.14	\$ 0.12	\$ 0.14	\$ 0.54	\$ 0.36
Weighted average shares—basic	137,794	131,905	137,661	136,420	131,326
Weighted average shares—diluted	141,753	136,522	141,548	140,497	135,949

**CONSOLIDATED BALANCE SHEET**

(\$ in thousands)	As of		
	December 31, 2014	September 30, 2014	December 31, 2013
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 817,150	\$ 1,372,728	\$ 807,885
Securities purchased under agreements to resell	100	100	100
Investment securities available-for-sale	1,393,357	1,648,013	1,571,206
Investment securities held-to-maturity	5,244,707	3,995,007	3,252,534
Loans:			
Single family (1-4 units)	20,494,402	20,170,945	19,869,491
Home equity lines of credit	2,211,621	2,133,518	1,961,476
Multifamily (5+ units)	4,689,692	4,545,751	4,022,457
Commercial real estate	3,824,835	3,737,255	3,430,881
Single family construction	428,358	406,186	290,314
Multifamily/commercial construction	453,732	428,864	278,456
Commercial business	4,873,580	4,305,800	3,582,054
Other secured	436,918	459,105	397,878
Stock secured	285,240	250,378	163,650
Unsecured loans and lines of credit	231,552	225,542	202,197
Total unpaid principal balance	37,929,930	36,663,344	34,198,854
Net unaccrued discount	(152,764)	(166,756)	(220,147)
Net deferred fees and costs	31,203	28,570	21,841
Allowance for loan losses	(207,342)	(195,049)	(153,005)
Loans, net	37,601,027	36,330,109	33,847,543
Loans held for sale	271,448	339,680	58,759
Investments in life insurance	1,014,734	1,006,125	766,291
Tax credit investments	828,640	809,288	688,870
Prepaid expenses and other assets	750,891	749,551	680,756
Premises, equipment and leasehold improvements, net	165,703	162,991	166,544
Goodwill	106,549	106,549	106,549
Other intangible assets	110,001	115,369	132,745
Mortgage servicing rights	49,023	45,410	29,781
Other real estate owned	—	—	3,200
Total Assets	\$ 48,353,330	\$ 46,680,920	\$ 42,112,763
<b><u>LIABILITIES AND EQUITY</u></b>			
Liabilities:			
Deposits:			
Noninterest-bearing checking accounts	\$ 12,542,881	\$ 11,949,000	\$ 8,859,276
Interest-bearing checking accounts	8,809,590	7,514,917	7,325,235
Money Market (MM) checking accounts	5,216,253	5,443,037	4,966,626
MM savings and passbooks	6,795,189	6,983,146	7,025,686
Certificates of deposit	3,767,016	3,717,307	3,905,893
Total Deposits	37,130,929	35,607,407	32,082,716
Long-term FHLB advances	5,275,000	5,275,000	5,150,000
Senior notes	399,512	399,486	—
Debt related to variable interest entities	36,039	38,199	43,132
Other liabilities	733,383	675,153	676,868
Total Liabilities	43,574,863	41,995,245	37,952,716
Shareholders' Equity:			
Preferred stock	889,525	889,525	889,525
Common stock	1,383	1,382	1,328
Additional paid-in capital	2,313,592	2,306,159	2,042,027
Retained earnings	1,570,871	1,488,846	1,213,896
Accumulated other comprehensive income (loss)	3,096	(237)	13,271
Total Shareholders' Equity	4,778,467	4,685,675	4,160,047
Total Liabilities and Shareholders' Equity	\$ 48,353,330	\$ 46,680,920	\$ 42,112,763

<b><i>Operating Information and Yields/Rates</i></b>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<i>(\$ in thousands)</i>					
<b><u>Operating Information</u></b>					
Net income to average assets <sup>(2)</sup>	0.94%	1.07%	1.14%	1.06%	1.20%
Net income available to common shareholders to average common equity <sup>(2)</sup>	10.37%	12.51%	12.80%	11.72%	13.50%
Dividend payout ratio	19.5%	16.0%	16.2%	17.6%	11.6%
Efficiency ratio <sup>(3)</sup>	58.6%	54.2%	54.1%	56.0%	52.3%
Efficiency ratio (non-GAAP) <sup>(1), (3)</sup>	59.9%	56.9%	55.4%	57.6%	55.8%
Net loan charge-offs (recoveries) to allowance for loan losses	\$ 1,783	\$ 722	\$ (223)	\$ 2,149	\$ 13,853
Net loan charge-offs (recoveries) to average total loans <sup>(2)</sup>	0.02%	0.01%	(0.00)%	0.01%	0.05%
<b><u>Yields/Rates</u> <sup>(2)</sup></b>					
Cash and cash equivalents	0.25%	0.25%	0.25%	0.25%	0.25%
Investment securities <sup>(4), (5)</sup>	4.81%	5.27%	5.05%	5.06%	5.18%
Loans <sup>(4), (6)</sup>	<u>3.48%</u>	<u>3.75%</u>	<u>3.52%</u>	<u>3.59%</u>	<u>3.96%</u>
Total interest-earning assets	3.54%	3.70%	3.60%	3.67%	3.98%
Checking	0.01%	0.02%	0.01%	0.01%	0.01%
Money market checking and savings	0.08%	0.22%	0.14%	0.13%	0.20%
CDs <sup>(6)</sup>	<u>1.21%</u>	<u>1.01%</u>	<u>1.17%</u>	<u>1.13%</u>	<u>1.04%</u>
Total deposits	0.15%	0.22%	0.18%	0.17%	0.21%
Short-term borrowings	0.00%	0.00%	—%	0.00%	0.19%
Long-term FHLB advances	1.58%	1.57%	1.56%	1.56%	1.63%
Senior notes <sup>(7)</sup>	2.57%	—%	2.57%	2.55%	—%
Debt related to variable interest entities	<u>1.67%</u>	<u>1.84%</u>	<u>1.68%</u>	<u>1.70%</u>	<u>1.79%</u>
Total borrowings	<u>1.65%</u>	<u>1.57%</u>	<u>1.63%</u>	<u>1.60%</u>	<u>1.51%</u>
Total interest-bearing liabilities	0.35%	0.40%	0.38%	0.37%	0.39%
Net interest spread	3.19%	3.30%	3.22%	3.30%	3.59%
Net interest margin	3.21%	3.32%	3.25%	3.32%	3.62%
Net interest margin (non-GAAP) <sup>(1)</sup>	3.06%	3.06%	3.09%	3.14%	3.26%

<sup>(2)</sup> For periods less than a year, ratios are annualized.

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

<sup>(4)</sup> Yield is calculated on a tax-equivalent basis.

<sup>(5)</sup> Includes FHLB stock and securities purchased under agreements to resell.

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

<sup>(7)</sup> Rate includes amortization of issuance costs.

<b><i>Mortgage Loan Sales</i></b>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<i>(\$ in thousands)</i>					
Loans sold:					
Agency	\$ 29,319	\$ 53,296	\$ 45,319	\$ 135,681	\$ 467,049
Non-agency	961,965	162,480	1,751,630	4,273,851	2,196,439
Total loans sold	<u>\$ 991,284</u>	<u>\$ 215,776</u>	<u>\$ 1,796,949</u>	<u>\$ 4,409,532</u>	<u>\$ 2,663,488</u>
Gain on sale of loans:					
Amount	\$ 4,107	\$ 306	\$ 13,713	\$ 35,515	\$ 36,290
Gain as a percentage of loans sold <sup>(8)</sup>	0.41%	0.14%	0.67%	0.77%	1.36%

<sup>(8)</sup> Excludes purchase accounting discounts recognized in gain on sale of loans.

<b>Loan Originations</b>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>		<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	
<i>(\$ in thousands)</i>						
Single family (1-4 units)	\$ 1,885,418	\$ 1,862,710	\$ 2,251,341	\$ 7,932,174	\$ 9,039,956	
Home equity lines of credit	339,001	308,318	378,374	1,458,448	1,271,646	
Multifamily (5+ units)	339,505	216,388	374,816	1,443,357	1,695,073	
Commercial real estate	272,211	247,825	312,668	998,700	1,156,273	
Construction	210,312	196,085	256,992	894,786	868,070	
Commercial business	1,044,474	994,361	1,016,432	3,445,664	3,042,350	
Other loans	197,654	230,182	155,306	779,072	768,912	
Total loans originated	<u>\$ 4,288,575</u>	<u>\$ 4,055,869</u>	<u>\$ 4,745,929</u>	<u>\$ 16,952,201</u>	<u>\$ 17,842,280</u>	

<b>Composition of Loan Portfolio</b>	<b>As of December 31, 2014</b>		
	<b>Loans acquired on July 1, 2010</b>	<b>Loans originated since July 1, 2010</b>	<b>Total Loans</b>
<i>(\$ in thousands)</i>			
Single family (1-4 units)	\$ 2,919,939	\$ 17,574,463	\$ 20,494,402
Home equity lines of credit	633,328	1,578,293	2,211,621
Multifamily (5+ units)	349,455	4,340,237	4,689,692
Commercial real estate	592,789	3,232,046	3,824,835
Single family construction	4,691	423,667	428,358
Multifamily/commercial construction	1,151	452,581	453,732
Commercial business	328,332	4,545,248	4,873,580
Other secured	30,461	406,457	436,918
Stock secured	4,218	281,022	285,240
Unsecured loans and lines of credit	26,166	205,386	231,552
Total unpaid principal balance	<u>4,890,530</u>	<u>33,039,400</u>	<u>37,929,930</u>
Net unaccrued discount	(152,441)	(323)	(152,764)
Net deferred fees and costs	(4,982)	36,185	31,203
Allowance for loan losses	(8,339)	(199,003)	(207,342)
Loans, net	<u>\$ 4,724,768</u>	<u>\$ 32,876,259</u>	<u>\$ 37,601,027</u>

<b>Asset Quality Information</b>	<b>As of</b>				
	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<i>(\$ in thousands)</i>					
Nonperforming assets:					
Nonaccrual loans	\$ 45,962	\$ 50,179	\$ 47,373	\$ 52,109	\$ 54,492
Other real estate owned	—	—	4,767	3,200	3,200
Total nonperforming assets	<u>\$ 45,962</u>	<u>\$ 50,179</u>	<u>\$ 52,140</u>	<u>\$ 55,309</u>	<u>\$ 57,692</u>
Nonperforming assets to total assets	0.10%	0.11%	0.11%	0.12%	0.14%
Accruing loans 90 days or more past due	\$ 4,380	\$ —	\$ —	\$ —	\$ —
Restructured accruing loans	\$ 16,252	\$ 16,966	\$ 18,453	\$ 18,278	\$ 19,984

<b>Book Value and Capital Ratios</b>	<b>As of</b>				
	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<i>(in thousands, except per share amounts)</i>					
<b>Book Value</b>					
Number of shares of common stock outstanding	138,269	138,155	137,977	137,521	132,768
Book value per common share	\$ 28.13	\$ 27.48	\$ 26.82	\$ 26.21	\$ 24.63
Tangible book value per common share	\$ 26.56	\$ 25.87	\$ 25.17	\$ 24.51	\$ 22.83
<b>Capital Ratios</b>					
Tier 1 leverage ratio	9.43%	9.51%	9.73%	9.85%	9.19%
Tier 1 common equity ratio <sup>(9)</sup>	10.90%	11.07%	10.93%	11.12%	10.30%
Tier 1 risk-based capital ratio	13.55%	13.83%	13.74%	14.07%	13.34%
Total risk-based capital ratio	14.20%	14.47%	14.35%	14.64%	13.89%

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

<b>Assets Under Management</b>	<b>As of</b>				
	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<i>(\$ in millions)</i>					
First Republic Investment Management	\$ 27,453	\$ 26,255	\$ 25,132	\$ 23,286	\$ 21,812
Brokerage and Investment:					
Brokerage	17,653	17,184	16,152	14,474	12,933
Money Market Mutual Funds	2,025	1,796	1,092	1,224	941
Total Brokerage and Investment	19,678	18,980	17,244	15,698	13,874
Trust Company:					
Trust	3,057	3,044	3,149	3,173	3,013
Custody	3,189	3,103	3,143	2,985	2,879
Total Trust Company	6,246	6,147	6,292	6,158	5,892
Total Wealth Management Assets	53,377	51,382	48,668	45,142	41,578
Loans serviced for investors	9,590	8,859	7,283	6,198	6,000
Total fee-based assets	\$ 62,967	\$ 60,241	\$ 55,951	\$ 51,340	\$ 47,578



<b>Average Balance Sheet</b>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<i>(\$ in thousands)</i>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,845,498	\$ 2,590,814	\$ 1,547,482	\$ 1,468,877	\$ 1,199,650
Investment securities <sup>(10)</sup>	6,304,984	4,696,478	5,734,607	5,697,744	4,322,772
Loans <sup>(11)</sup>	37,573,433	33,161,682	37,197,470	36,271,956	30,643,493
Total interest-earning assets	<u>45,723,915</u>	<u>40,448,974</u>	<u>44,479,559</u>	<u>43,438,577</u>	<u>36,165,915</u>
Noninterest-earning cash	263,915	230,262	247,101	239,345	240,043
Goodwill and other intangibles	219,140	242,297	224,630	227,516	251,942
Other assets	2,353,721	1,863,580	2,247,529	2,129,042	1,720,385
Total noninterest-earning assets	<u>2,836,776</u>	<u>2,336,139</u>	<u>2,719,260</u>	<u>2,595,903</u>	<u>2,212,370</u>
Total Assets	<u>\$ 48,560,691</u>	<u>\$ 42,785,113</u>	<u>\$ 47,198,819</u>	<u>\$ 46,034,480</u>	<u>\$ 38,378,285</u>
<b>Liabilities and Equity:</b>					
Checking	\$ 20,694,274	\$ 16,011,898	\$ 19,211,769	\$ 18,572,545	\$ 14,420,567
Money market checking and savings	12,661,395	12,814,579	12,902,904	12,737,635	11,443,203
CDs <sup>(11)</sup>	3,772,544	3,995,699	3,698,444	3,687,912	3,447,556
Total deposits	<u>37,128,213</u>	<u>32,822,176</u>	<u>35,813,117</u>	<u>34,998,092</u>	<u>29,311,326</u>
Short-term borrowings	2	12	—	3	402,176
Long-term FHLB advances	5,275,000	5,150,000	5,520,924	5,474,726	4,253,562
Senior notes <sup>(12)</sup>	399,499	—	399,472	216,706	—
Debt related to variable interest entities	37,615	45,874	38,640	40,070	50,709
Total borrowings	<u>5,712,116</u>	<u>5,195,886</u>	<u>5,959,036</u>	<u>5,731,505</u>	<u>4,706,447</u>
Total interest-bearing liabilities	<u>42,840,329</u>	<u>38,018,062</u>	<u>41,772,153</u>	<u>40,729,597</u>	<u>34,017,773</u>
Noninterest-bearing liabilities	943,984	685,217	752,674	733,347	571,576
Preferred equity	889,525	830,829	889,525	889,525	666,552
Common equity	3,886,853	3,251,005	3,784,467	3,682,011	3,122,384
Total Liabilities and Equity	<u>\$ 48,560,691</u>	<u>\$ 42,785,113</u>	<u>\$ 47,198,819</u>	<u>\$ 46,034,480</u>	<u>\$ 38,378,285</u>

<sup>(10)</sup> Includes FHLB stock and securities purchased under agreements to resell.

<sup>(11)</sup> Average balances are presented net of purchase accounting discounts or premiums.

<sup>(12)</sup> Average balances include unamortized issuance costs.

<b>Purchase Accounting Accretion and Amortization <sup>(13)</sup></b>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<i>(\$ in thousands)</i>					
Accretion/amortization to net interest income:					
Loans	\$ 14,086	\$ 22,356	\$ 14,332	\$ 65,647	\$ 111,682
Deposits	1,313	2,802	1,468	6,352	11,897
Total	<u>\$ 15,399</u>	<u>\$ 25,158</u>	<u>\$ 15,800</u>	<u>\$ 71,999</u>	<u>\$ 123,579</u>
Noninterest income:					
Discounts recognized in gain on sale of loans	\$ —	\$ —	\$ 1,679	\$ 1,679	\$ —
Amortization to noninterest expense:					
Intangible assets	\$ 3,649	\$ 4,289	\$ 3,808	\$ 15,552	\$ 18,113

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

**Use of Non-GAAP Financial Measures**

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

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

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

	Quarter Ended December 31,		Quarter Ended September 30,	Year Ended December 31,	
	2014	2013	2014	2014	2013
<b><i>Non-GAAP Earnings</i></b>					
<i>(in thousands, except per share amounts)</i>					
Net income	\$ 115,459	\$ 115,299	\$ 136,011	\$ 487,006	\$ 462,070
Accretion/amortization added to net interest income	(15,399)	(25,158)	(15,800)	(71,999)	(123,579)
Discounts recognized in gain on sale of loans	—	—	(1,679)	(1,679)	—
Amortization of intangible assets	3,649	4,289	3,808	15,552	18,113
Add back tax impact of the above items	4,994	8,869	5,810	24,704	44,823
Non-GAAP net income	108,703	103,299	128,150	453,584	401,427
Dividends on preferred stock	(13,889)	(12,800)	(13,889)	(55,556)	(40,671)
Non-GAAP net income available to common shareholders	\$ 94,814	\$ 90,499	\$ 114,261	\$ 398,028	\$ 360,756
GAAP earnings per common share—diluted	\$ 0.72	\$ 0.75	\$ 0.86	\$ 3.07	\$ 3.10
Impact of purchase accounting, net of tax	(0.05)	(0.09)	(0.05)	(0.24)	(0.45)
Non-GAAP earnings per common share—diluted	\$ 0.67	\$ 0.66	\$ 0.81	\$ 2.83	\$ 2.65
Weighted average diluted common shares outstanding	141,753	136,522	141,548	140,497	135,949

<b><i>Yield on Average Loans</i></b> <i>(\$ in thousands)</i>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
Interest income on loans	\$ 322,177	\$ 307,876	\$ 322,987	\$ 1,271,562	\$ 1,193,931
Add: Tax-equivalent adjustment on loans	8,520	6,013	7,792	29,859	19,816
Interest income on loans (tax-equivalent basis)	330,697	313,889	330,779	1,301,421	1,213,747
Less: Accretion	(14,086)	(22,356)	(14,332)	(65,647)	(111,682)
Non-GAAP interest income on loans (tax-equivalent basis)	\$ 316,611	\$ 291,533	\$ 316,447	\$ 1,235,774	\$ 1,102,065
Average loans	\$ 37,573,433	\$ 33,161,682	\$ 37,197,470	\$ 36,271,956	\$ 30,643,493
Add: Average unaccreted loan discounts	161,556	234,580	177,380	187,097	277,231
Average loans (non-GAAP)	\$ 37,734,989	\$ 33,396,262	\$ 37,374,850	\$ 36,459,053	\$ 30,920,724
Yield on average loans—reported <sup>(4)</sup>	3.48%	3.75%	3.52%	3.59%	3.96%
Contractual yield on average loans (non-GAAP) <sup>(4)</sup>	3.32%	3.46%	3.35%	3.39%	3.56%

<b><i>Cost of Average Deposits</i></b> <i>(\$ in thousands)</i>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
Interest expense on deposits	\$ 14,470	\$ 18,049	\$ 15,935	\$ 60,454	\$ 60,817
Add: Amortization of CD premiums	1,313	2,802	1,468	6,352	11,897
Non-GAAP interest expense on deposits	\$ 15,783	\$ 20,851	\$ 17,403	\$ 66,806	\$ 72,714
Average deposits	\$ 37,128,213	\$ 32,822,176	\$ 35,813,117	\$ 34,998,092	\$ 29,311,326
Less: Average unamortized CD premiums	(1,607)	(8,863)	(3,031)	(3,876)	(12,958)
Average deposits (non-GAAP)	\$ 37,126,606	\$ 32,813,313	\$ 35,810,086	\$ 34,994,216	\$ 29,298,368
Cost of average deposits—reported	0.15%	0.22%	0.18%	0.17%	0.21%
Contractual cost of average deposits (non-GAAP)	0.17%	0.25%	0.19%	0.19%	0.25%

<b><i>Net Interest Margin</i></b> <i>(\$ in thousands)</i>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
Net interest income	\$ 340,855	\$ 314,824	\$ 335,989	\$ 1,330,760	\$ 1,224,175
Add: Tax-equivalent adjustment	28,766	23,919	27,710	109,323	84,830
Net interest income (tax-equivalent basis)	369,621	338,743	363,699	1,440,083	1,309,005
Less: Accretion/amortization	(15,399)	(25,158)	(15,800)	(71,999)	(123,579)
Non-GAAP net interest income (tax-equivalent basis)	\$ 354,222	\$ 313,585	\$ 347,899	\$ 1,368,084	\$ 1,185,426
Average interest-earning assets	\$ 45,723,915	\$ 40,448,974	\$ 44,479,559	\$ 43,438,577	\$ 36,165,915
Add: Average unaccreted loan discounts	161,556	234,580	177,380	187,097	277,231
Average interest-earning assets (non-GAAP)	\$ 45,885,471	\$ 40,683,554	\$ 44,656,939	\$ 43,625,674	\$ 36,443,146
Net interest margin—reported	3.21%	3.32%	3.25%	3.32%	3.62%
Net interest margin (non-GAAP)	3.06%	3.06%	3.09%	3.14%	3.26%

<b><i>Efficiency Ratio</i></b> <i>(\$ in thousands)</i>	<b>Quarter Ended December 31,</b>		<b>Quarter Ended September 30,</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
Net interest income	\$ 340,855	\$ 314,824	\$ 335,989	\$ 1,330,760	\$ 1,224,175
Less: Accretion/amortization	(15,399)	(25,158)	(15,800)	(71,999)	(123,579)
Net interest income (non-GAAP)	<u>\$ 325,456</u>	<u>\$ 289,666</u>	<u>\$ 320,189</u>	<u>\$ 1,258,761</u>	<u>\$ 1,100,596</u>
Noninterest income	\$ 75,834	\$ 56,200	\$ 104,671	\$ 318,355	\$ 244,350
Less: Discounts recognized in gain on sale of loans	—	—	(1,679)	(1,679)	—
Noninterest income (non-GAAP)	<u>\$ 75,834</u>	<u>\$ 56,200</u>	<u>\$ 102,992</u>	<u>\$ 316,676</u>	<u>\$ 244,350</u>
Total revenue	\$ 416,689	\$ 371,024	\$ 440,660	\$ 1,649,115	\$ 1,468,525
Total revenue (non-GAAP)	\$ 401,290	\$ 345,866	\$ 423,181	\$ 1,575,437	\$ 1,344,946
Noninterest expense	\$ 244,150	\$ 200,929	\$ 238,377	\$ 922,746	\$ 767,997
Less: Intangible amortization	(3,649)	(4,289)	(3,808)	(15,552)	(18,113)
Noninterest expense (non-GAAP)	<u>\$ 240,501</u>	<u>\$ 196,640</u>	<u>\$ 234,569</u>	<u>\$ 907,194</u>	<u>\$ 749,884</u>
Efficiency ratio	58.6%	54.2%	54.1%	56.0%	52.3%
Efficiency ratio (non-GAAP)	59.9%	56.9%	55.4%	57.6%	55.8%

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