FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of July 29, 2011, was 129,213,209 shares.

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 - FINANCIAL INFORMATION

Item 1. Financial Statements.

The consolidated financial statements in this Quarterly Report on Form 10-Q are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Bank’s financial position and results of operations. All such adjustments were of a normal and recurring nature. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q adopted by the Federal Deposit Insurance Corporation (“FDIC”). These consolidated financial statements are intended to be read in conjunction with the Bank’s consolidated financial statements, and notes thereto, for the year ended December 31, 2010, included in the Bank’s Annual Report on Form 10-K filed with the FDIC (the “2010 Form 10-K”). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

FIRST REPUBLIC BANK
BALANCE SHEETS
(Unaudited)

($ in thousands)	Successor June 30, 2011	Successor December 31, 2010
ASSETS		
Cash and cash equivalents	$ 790,767	$ 1,528,075
Securities purchased under agreements to resell	8,267	-
Investment securities available-for-sale	563,008	75,602
Investment securities held-to-maturity (fair value of $1,424,462 and $953,473 at June 30, 2011 and December 31, 2010, respectively)	1,430,655	1,017,402
Loans	19,688,269	18,550,500
Less: Allowance for loan losses	(38,200)	(18,809)
Loans, net	19,650,069	18,531,691
Loans held for sale	59,358	51,126
Investments in life insurance	432,496	391,750
Prepaid expenses and other assets	488,508	400,999
Premises, equipment and leasehold improvements, net	106,478	97,051
Deferred tax assets	73,264	79,771
Goodwill	24,604	24,604
Other intangible assets	145,620	157,297
Mortgage servicing rights	21,725	21,640
Other real estate owned	2,954	625
Total Assets	$ 23,797,773	$ 22,377,633
LIABILITIES AND EQUITY		
Liabilities:		
Customer deposits:		
Non-interest bearing accounts	$ 3,936,714	$ 3,056,515
Interest bearing checking accounts	2,602,362	2,757,319
Money Market (MM) checking accounts	3,196,680	2,767,826
MM savings and passbooks	5,178,516	4,821,262
Certificates of deposit	5,025,576	5,832,827
Total customer deposits	19,939,848	19,235,749
Federal Home Loan Bank (FHLB) advances	1,100,000	600,000
Subordinated notes	67,054	68,374
Debt related to variable interest entity	22,763	25,471
Other liabilities	267,992	223,283
Total Liabilities	21,397,657	20,152,877
Equity:		
First Republic Bank stockholders' equity:		
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 128,858,334 shares issued and outstanding	1,289	1,289
Additional paid-in capital	2,008,280	1,994,457
Retained earnings	315,966	142,362
Accumulated other comprehensive (loss) income, net	(2,679)	78
Total First Republic Bank stockholders' equity	2,322,856	2,138,186
Noncontrolling interests	77,260	86,570
Total Equity	2,400,116	2,224,756
Total Liabilities and Equity	$ 23,797,773	$ 22,377,633

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF INCOME
(Unaudited)

($ in thousands, except per share amounts)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Interest income:				
Interest on loans	$ 268,768	$ 238,907	$ 537,508	$ 503,819
Interest on investments	15,890	117	27,878	157
Interest on cash equivalents	1,276	20	2,469	32
Interest on loans to Parent company	-	4,830	-	4,830
Total interest income	285,934	243,874	567,855	508,838
Interest expense:				
Interest on customer deposits	22,313	44,567	44,067	90,339
Interest on FHLB advances and other borrowings	6,246	114	11,341	222
Interest on subordinated notes	573	1,040	1,151	2,082
Interest on funding from Parent company	-	-	-	2,956
Total interest expense	29,132	45,721	56,559	95,599
Net interest income	256,802	198,153	511,296	413,239
Provision for loan losses	13,026	1,182	20,639	17,352
Net interest income after provision for loan losses	243,776	196,971	490,657	395,887
Noninterest income:				
Investment advisory fees	11,814	8,406	22,470	16,442
Brokerage and investment fees	2,155	2,734	4,501	4,681
Trust fees	1,694	1,032	3,420	2,226
Deposit customer fees	3,771	3,674	7,413	7,236
Loan servicing fees, net	805	567	573	2,749
Loan and related fees	833	962	1,649	1,831
Gain on sale of loans	427	673	4,781	1,290
Income from investments in life insurance	4,092	47	7,822	1,388
Accretion of discount on loan commitments	166	5,290	1,220	8,220
Other income	1,440	1,756	4,414	3,395
Total noninterest income	27,197	25,141	58,263	49,458
Noninterest expense:				
Salaries and related benefits	68,733	56,547	132,954	112,196
Occupancy	15,912	14,031	31,926	29,404
Information systems	14,212	12,293	26,725	19,124
Advertising and marketing	7,053	3,508	13,362	6,610
Professional fees	3,010	3,353	7,443	5,673
FDIC and other deposit assessments	4,497	10,688	13,197	19,159
Amortization of intangibles	5,760	-	11,677	-
Other expenses	19,652	13,692	36,534	24,798
Total noninterest expense	138,829	114,112	273,818	216,964
Income before provision for income taxes	132,144	108,000	275,102	228,381
Provision for income taxes	46,142	46,255	99,037	97,138
Net income before noncontrolling interests	86,002	61,745	176,065	131,243
Less: Net income from noncontrolling interests	1,170	1,198	2,461	2,396
First Republic Bank Net Income	$ 84,832	$ 60,547	$ 173,604	$ 128,847
Basic earnings per common share	$ 0.66	n/a	$ 1.35	n/a
Diluted earnings per common share	$ 0.64	n/a	$ 1.31	n/a

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME
(Unaudited)

($ in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Parent Company Investment	Accumulated Other Comprehensive Income (Loss)	Total Equity Before Noncontrolling Interests	Noncontrolling Interests	Total Equity
				Predecessor				
Balance at December 31, 2009	$ -	$ -	$ -	$ 1,296,248	$ 69	$ 1,296,317	$ 99,590	$ 1,395,907
Capital distributions	-	-	-	(163,046)	-	(163,046)	-	(163,046)
Change in capital allocation for net assets retained by Parent company				(53,736)		(53,736)		(53,736)
Capital contributions associated with income taxes	-	-	-	57,917	-	57,917	-	57,917
Comprehensive income:								
Net income	-	-	-	128,847	-	128,847	2,396	131,243
Other comprehensive income, net of tax:								
Net unrealized gain on securities available-for-sale (net of taxes of $86)	-	-	-	-	110	110	-	110
Total comprehensive income						128,957	2,396	131,353
Dividends to noncontrolling interests	-	-	-	-	-	-	(2,396)	(2,396)
Balance at June 30, 2010	**$ -**	**$ -**	**$ -**	**$ 1,266,230**	**$ 179**	**$ 1,266,409**	**$ 99,590**	**$ 1,365,999**
				Successor				
Balance at December 31, 2010	$ 1,289	$ 1,994,457	$ 142,362	$ -	$ 78	$ 2,138,186	$ 86,570	$ 2,224,756
Stock option compensation expense	-	14,513	-	-	-	14,513	-	14,513
Comprehensive income:								
Net income	-	-	173,604	-	-	173,604	2,461	176,065
Other comprehensive income, net of tax:								
Net unrealized loss on securities available-for-sale (net of taxes of $1,074)	-	-	-	-	(1,453)	(1,453)	-	(1,453)
Net unrealized loss on cash flow hedges (net of taxes of $964)	-	-	-	-	(1,304)	(1,304)	-	(1,304)
Total comprehensive income						170,847	2,461	173,308
Dividends to noncontrolling interests	-	-	-	-	-	-	(2,461)	(2,461)
Redemption of noncontrolling interests in subsidiary's preferred stock	-	(690)	-	-	-	(690)	(9,310)	(10,000)
Balance at June 30, 2011	**$ 1,289**	**$ 2,008,280**	**$ 315,966**	**$ -**	**$ (2,679)**	**$ 2,322,856**	**$ 77,260**	**$ 2,400,116**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS
(Unaudited)

	Successor	Predecessor
($ in thousands)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating Activities:		
Net income before noncontrolling interests	$ 176,065	$ 131,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	20,639	17,352
Accretion of loan discounts	(87,082)	(37,695)
Depreciation and amortization	(10,286)	(1,241)
Amortization of mortgage servicing rights	3,478	-
Provision for mortgage servicing rights in excess of fair value, net	979	-
Changes in fair value of mortgage servicing rights	-	2,327
Net change in loans held for sale	(28,075)	(13,547)
Deferred income taxes	8,545	48,915
Net gains on sale of loans	(4,781)	(1,290)
Other net (gains) losses	(22)	583
Noncash cost of benefit plans and stock plans	14,513	-
(Increase) decrease in other assets	(18,377)	47,773
Increase (decrease) in other liabilities	20,722	(21,722)
Net Cash Provided by Operating Activities	96,318	172,698
Investing Activities:		
Loan originations, net of principal collections	(1,324,897)	(715,368)
Loans purchased	(3,787)	(1,661)
Loans sold	290,936	16,800
Purchase of securities available-for-sale	(541,323)	-
Proceeds from sales/calls/maturity of securities available-for-sale	50,980	55
Purchases of securities held-to-maturity	(416,086)	(1,017)
Proceeds from calls/maturity of securities held-to-maturity	2,556	11
Purchases of FHLB stock	(23,500)	-
Proceeds from redemptions of FHLB stock	-	2,209
Purchases of investments in life insurance	(32,783)	-
Proceeds from investments in life insurance	-	1,404
Net change in securities purchased under agreements to resell	(8,267)	-
Net change in nonmarketable equity investments	(26,624)	-
Additions to premises, equipment and leasehold improvements, net	(21,319)	(13,864)
Proceeds from sales of other assets	819	4,532
Decrease in Parent company lending	-	669,034
Net Cash Used for Investing Activities	(2,053,295)	(37,865)
Financing Activities:		
Net increase in deposits	734,838	598,666
Proceeds from issuance of FHLB advances	500,000	-
Decrease in Parent company borrowing	-	(368,611)
Decrease in debt related to variable interest entity	(2,708)	-
Capital distributions	-	(105,129)
Redemption of noncontrolling interests in subsidiary's preferred stock	(10,000)	-
Dividends to noncontrolling interests	(2,461)	(2,396)
Net Cash Provided by Financing Activities	1,219,669	122,530
(Decrease) Increase in Cash and Cash Equivalents	(737,308)	257,363
Cash and Cash Equivalents at the Beginning of Period	1,528,075	178,553
Cash and Cash Equivalents at the End of Period	$ 790,767	$ 435,916
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 91,304	$ 96,810
Income taxes	$ 130,204	$ -
Transfer of loans to held for sale	$ 271,987	$ 13,346
Transfer of repossessed assets from loans to other assets	$ 2,947	$ 24,004

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 operated for over ten years as a Nevada-chartered, FDIC-insured bank (and prior to that as two predecessor depository institutions operating under a publicly traded, non-bank holding company which was subsequently merged into its bank subsidiary). On September 21, 2007, First Republic was acquired by Merrill Lynch and merged into MLFSB. Under the terms of the acquisition, First Republic operated as a separate division within MLFSB and continued to be managed by the Bank's existing management team. As a division of MLFSB, First Republic maintained its own marketing identity and branch network, with loans, deposits and other bank products offered to customers under the First Republic brand. On January 1, 2009, Bank of America purchased Merrill Lynch and thereby acquired MLFSB. On November 2, 2009, MLFSB was merged into BANA, and First Republic thereby became a division of BANA. MLFSB and BANA are collectively referred to as the "Parent" in the financial statements.

On October 21, 2009, Bank of America announced that it had entered into a definitive agreement to sell substantially all of First Republic's assets and liabilities (the "Transaction") to a number of investors led by First Republic's existing management and including investment funds affiliated with Colony Capital, LLC and General Atlantic LLC. The Transaction was completed after the close of business on June 30, 2010, and the Bank opened as a California-chartered, FDIC-insured commercial bank and trust company on July 1, 2010.

As a result of these acquisitions, the accompanying financial statements are presented to show the financial results of the Bank for the period after the completion of the Transaction ("Successor") (as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011) and the period after the Bank of America acquisition ("Predecessor") (for the three and six months ended June 30, 2010). The Predecessor period relates to the accounting periods succeeding the push-down of Bank of America's basis. The Predecessor and Successor periods have been separated by vertical lines on the face of the financial statements to highlight the fact that the financial information has been prepared under different historical cost bases of accounting. The accounting policies followed by the Bank in the preparation of its financial statements for the Successor period are materially consistent with those of the Predecessor period, except for the accounting for the accretion of loan discounts and mortgage servicing rights ("MSRs"). (See Note 1 and Note 4 for further information on accretion of loan discounts and MSRs, respectively).

Our consolidated financial statements as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 include the accounts of First Republic and the majority or wholly owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Preferred Capital Corporation, Inc. ("FRPCC") and First Republic Lending Corporation, Inc. ("FRLC"), which was formerly First Republic Preferred Capital Corporation II, Inc. ("FRPCC II") until May 10, 2011. All significant intercompany balances and transactions have been eliminated.

First Republic's combined financial statements for the three and six months ended June 30, 2010 include the carve-out accounts of the First Republic Bank division of BANA and the accounts of FRIM, First Republic Wealth Advisors, LLC (which was merged into FRIM in the third quarter of 2010), FRSC, FRPCC, and FRPCC II, in each case using the historical basis of accounting for the results of operations, assets and liabilities of the respective businesses and also including the purchase accounting impact for the Bank of America acquisition. The purpose of the carve-out financial statements is to present fairly the results of operations, financial condition and cash flows of the First Republic Bank division of BANA separately from the results of operations, financial condition and cash flows of BANA as a legal entity for the periods prior to July 1, 2010. The financial statements for the periods prior to July 1, 2010 may not necessarily reflect the results of operations, financial condition and cash flows that the Bank would have achieved had the Bank actually existed on a stand-alone basis during the periods presented. All significant intercompany balances and transactions among the division and entities included in our combined financial statements have been eliminated.

FRPCC had outstanding preferred stock as of June 30, 2011 and December 31, 2010. FRPCC II had outstanding preferred stock as of December 31, 2010. On May 10, 2011, FRPCC II redeemed all of its outstanding shares of preferred stock. Such outstanding preferred stock is reported as noncontrolling interests in First Republic's balance sheet and is eligible for treatment as Tier 1 capital under current regulatory guidelines. The dividends on these preferred stock issues 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. The preferred stock dividends paid by FRPCC are deductible for income tax purposes as long as FRPCC continues to qualify as a real estate investment trust (a "REIT"). The preferred stock dividends for FRPCC II were deductible for income tax purposes in 2010.

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 wealth management services, including trust services. The Bank provides its services through preferred banking, lending and wealth management offices primarily in 8 major metropolitan areas: San Francisco, Los Angeles, Santa Barbara, Newport Beach, San Diego, New York City, Boston 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. FRIM earns fee income from the management of equity and fixed income investments for its clients. First Republic Trust Company, a division of First Republic, provides trust services. FRSC is a registered broker-dealer performing investment and brokerage activities for clients. The Bank offers money market mutual funds to clients and also conducts foreign exchange activities on behalf of customers.

Supplemental Cash Flow Information

Pursuant to the terms of the Transaction, the following assets and liabilities were transferred to BANA, resulting in a reduction to the assets, liabilities and Parent company investment during the six months ended June 30, 2010. The following table shows the non-cash impacts of assets and liabilities transferred to BANA, the increase in Parent company lending, the decrease in Parent company borrowing and the reduced equity allocation due to these transfers during the six months ended June 30, 2010:

($ in thousands)	Predecessor
Assets:	
Parent company lending	$ (1,626,981)
Loans, net	1,962,301
Investments in life insurance	201,678
FHLB stock	32,211
Other real estate owned	40,146
Other assets	54,967
Total	$ 664,322
Liabilities and Equity:	
Parent company borrowing	$ 607,479
Other liabilities	3,107
Parent company investment	53,736
Total	$ 664,322

Earnings Per Share ("EPS")

Beginning July 1, 2010, the Bank computes earnings per share by dividing net income by the average number of common shares outstanding during the period. The Bank computes diluted earnings per common share by dividing net income by the average number of common shares outstanding during the period, plus the effect of common stock equivalents (stock options) that are dilutive. For the three and six months ended June 30, 2011, options to purchase 162,500 shares were outstanding but not included in the calculation of diluted earnings per common share since these shares were anti-dilutive.

The following table presents a reconciliation of the income and share amounts used in the basic and diluted earnings per share computations for the three and six months ended June 30, 2011:

	Successor	
(in thousands, except per share amounts)	**Three Months Ended June 30, 2011**	**Six Months Ended June 30, 2011**
Basic EPS:		
Net income available to common stockholders	$ 84,832	$ 173,604
Weighted average common shares outstanding	128,858	128,858
Net income per share - basic	$ 0.66	$ 1.35
Diluted EPS:		
Net income available to common stockholders	$ 84,832	$ 173,604
Weighted average shares:		
Common shares outstanding	128,858	128,858
Dilutive stock options under the treasury stock method	4,233	3,990
Weighted average diluted common shares outstanding	133,091	132,848
Net income per share - diluted	$ 0.64	$ 1.31

Loans

Loans are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. On January 1, 2009 and July 1, 2010, loans were re-measured at fair value in connection with the Bank of America acquisition and the Transaction, respectively. In the Bank of America acquisition and the Transaction, the allowance for loan losses was reduced to $0 in accordance with the guidance in Accounting Standards Codification ("ASC") 805, "Business Combinations." Loan discounts were recorded in connection with both acquisitions and are included in the basis of the loans.

For the three and six months ended June 30, 2011, loan discounts established in purchase accounting are accreted as a yield adjustment over the contractual life of each loan. The loan discounts are accreted using a level yield methodology or straight-line 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. For the three and six months ended June 30, 2010, loan discounts were accreted to interest income over the estimated lives of loans.

For a complete discussion of the Bank's accounting policies related to loans, refer to Note 1 and Note 5 in "Item 8. Financial Statements and Supplementary Data" of the Bank's 2010 Form 10-K.

Accounting Standards Adopted in 2011

Effective January 1, 2011, the following pronouncement was adopted by the Bank:

- In July 2010, the Financial Accounting Standards Board ("FASB") issued amendments to ASC 310-10, "Receivables – Overall." The amendments significantly increase disclosures about the credit quality of loans and the allowance for credit losses to give financial statement users greater transparency about entities' credit risk exposure. The disclosures required as of the balance sheet date were effective as of December 31, 2010 and were included in the Bank's 2010 Form 10-K. The disclosures required for activity during the period became effective January 1, 2011 and are included in Note 3. Adoption of these additional disclosures did not have a significant impact on the Bank's financial condition, results of operations or cash flows. The disclosures about troubled debt restructurings required by these amendments that are not yet effective are discussed in "Recent Accounting Pronouncements."

Recent Accounting Pronouncements

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

- In April 2011, the FASB issued amendments to ASC 310-40, "Receivables – Troubled Debt Restructurings by Creditors." These amendments provide additional guidance related to determining whether a creditor has granted a concession to a borrower and whether a borrower is experiencing financial difficulties. These amendments and the additional disclosures about troubled debt restructurings required by ASC 310-10 are effective for interim and annual periods beginning on or after June 15, 2011. 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 May 2011, the FASB issued amendments to ASC 820-10, "Fair Value Measurement," which clarify existing fair value measurement requirements. The amendments also change certain fair value measurement principles and require expanded disclosures for certain items measured at fair value or items disclosed at fair value in the notes to the financial statements. These amendments and additional disclosures are effective for interim and annual periods beginning after December 15, 2011. The Bank is evaluating the impact of adoption of this new guidance on its financial condition, results of operations, cash flows and disclosures in the financial statements.

- In June 2011, the FASB issued amendments to ASC 220-10, "Comprehensive Income," which require the presentation of items of net income, items of other comprehensive income and total comprehensive income in either one single statement of comprehensive income or in two separate but consecutive statements. Under these amendments, other comprehensive income may no longer be presented in the statement of changes in stockholders' equity. The amendments are effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. The Bank is evaluating the impact of adoption of this new guidance on its financial condition, results of operations, cash flows and disclosures in the financial statements.

Note 2. Investment Securities

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

	Successor June 30, 2011			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury and federal agencies	$ 99,805	$ 690	$ -	$ 100,495
Residential agency mortgage-backed securities ("MBS")	194,671	213	(208)	194,676
Residential non-agency MBS	31,796	17	(986)	30,827
Commercial MBS	239,347	366	(2,703)	237,010
Total	$ 565,619	$ 1,286	$ (3,897)	$ 563,008
Held-to-maturity:				
U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 1,141,916	$ 13,361	$ (22,186)	$ 1,133,091
Tax-exempt nonprofit debentures	231,710	2,749	(3,165)	231,294
Taxable municipal securities	53,281	3,100	-	56,381
Residential non-agency MBS	3,748	34	(86)	3,696
Total	$ 1,430,655	$ 19,244	$ (25,437)	$ 1,424,462

	Successor December 31, 2010			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury and federal agencies	$ 46,000	$ 1	$ (1)	$ 46,000
Residential agency MBS	29,687	-	(85)	29,602
Total	$ 75,687	$ 1	$ (86)	$ 75,602
Held-to-maturity:				
U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 748,007	$ 4,184	$ (57,811)	$ 694,380
Tax-exempt nonprofit debentures	232,197	-	(10,399)	221,798
Taxable municipal securities	33,239	187	(58)	33,368
Residential non-agency MBS	3,959	39	(71)	3,927
Total	$ 1,017,402	$ 4,410	$ (68,339)	$ 953,473

At June 30, 2011 and December 31, 2010, approximately $602.2 million and $75.6 million, respectively, of investment securities were pledged at the Federal Reserve Bank of San Francisco or at a correspondent bank as collateral to secure trust funds and public deposits and to maintain the ability to borrow at the discount window at the Federal Reserve Bank.

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:

	Successor June 30, 2011					
	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	$ (208)	$ 128,240	$ -	$ -	$ (208)	$ 128,240
Residential non-agency MBS	(986)	21,886	-	-	(986)	21,886
Commercial MBS	(2,703)	189,016	-	-	(2,703)	189,016
Total	$ (3,897)	$ 339,142	$ -	$ -	$ (3,897)	$ 339,142
Held-to-maturity:						
U.S. states and political subdivisions:						
Tax-exempt municipal securities	$ (22,186)	$ 614,217	$ -	$ -	$ (22,186)	$ 614,217
Tax-exempt nonprofit debentures	(3,165)	122,120	-	-	(3,165)	122,120
Residential non-agency MBS	(86)	2,947	-	-	(86)	2,947
Total	$ (25,437)	$ 739,284	$ -	$ -	$ (25,437)	$ 739,284

	Successor December 31, 2010					
	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:						
U.S. Treasury and federal agencies	$ (1)	$ 26,000	$ -	$ -	$ (1)	$ 26,000
Residential agency MBS	(85)	29,602	-	-	(85)	29,602
Total	$ (86)	$ 55,602	$ -	$ -	$ (86)	$ 55,602
Held-to-maturity:						
U.S. states and political subdivisions:						
Tax-exempt municipal securities	$ (57,811)	$ 670,221	$ -	$ -	$ (57,811)	$ 670,221
Tax-exempt nonprofit debentures	(10,399)	192,098	-	-	(10,399)	192,098
Taxable municipal securities	(58)	9,174	-	-	(58)	9,174
Residential non-agency MBS	(71)	3,188	-	-	(71)	3,188
Total	$ (68,339)	$ 874,681	$ -	$ -	$ (68,339)	$ 874,681

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 obligations of U.S. states and political subdivisions have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase and not due to the credit quality of the securities. The Bank monitors these securities quarterly to determine if a change in security rating has occurred or the issuer has experienced financial difficulties that may result in a loss of the contractual principal and interest payments. The Bank expects to recover all contractual principal and interest payments. In addition, 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 commercial mortgage-backed securities are primarily due to changes in credit spreads and interest rates subsequent to purchase of these securities and not due to the credit quality of these securities. The Bank evaluates these securities on a quarterly basis, including changes in security ratings issued by rating agencies and delinquency and loss information with respect to the underlying collateral. Substantially all of these securities continue to be AAA rated by one or more rating agencies. The Bank expects to recover the entire cost of these securities. In addition, 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 fair values of the investment securities could decline in the future if the general economy deteriorates, credit ratings decline, interest rates increase or the liquidity for securities is low. As a result, other-than-temporary impairments may occur in the future.

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

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Interest on tax-exempt securities	$ 13,170	$ -	$ 24,194	$ -
Interest on taxable securities	2,692	38	3,635	78
Dividend income on investment securities and FHLB stock	28	79	49	79
Total	$ 15,890	$ 117	$ 27,878	$ 157

The following table presents contractual maturities of available-for-sale and held-to-maturity securities at the dates indicated:

	Successor			
	June 30, 2011		December 31, 2010	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-sale:				
Due in one year or less	$ -	$ -	$ 5,000	$ 5,000
Due after one year through five years	99,805	100,495	41,000	41,000
Due after five years through ten years	-	-	-	-
Due after ten years	-	-	-	-
Subtotal	99,805	100,495	46,000	46,000
Various MBS [1]	465,814	462,513	29,687	29,602
Total	$ 565,619	$ 563,008	$ 75,687	$ 75,602
Held-to-maturity:				
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	-	-	-	-
Due after five years through ten years	-	-	-	-
Due after ten years	1,426,907	1,420,766	1,013,443	949,546
Subtotal	1,426,907	1,420,766	1,013,443	949,546
Various MBS [1]	3,748	3,696	3,959	3,927
Total	$ 1,430,655	$ 1,424,462	$ 1,017,402	$ 953,473

[1] Expected maturities of MBS can differ from contractual maturities because borrowers have the right to call or prepay obligations prior to contractual maturity.

Note 3. Loans

Loan Profile

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At June 30, 2011 and December 31, 2010, approximately 66% of the total loan portfolio was secured by California real estate. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans. At June 30, 2011, approximately 86% of single family mortgages contain an interest-only payment feature, compared to 90% at December 31, 2010. These loans have an initial interest-only term generally ranging between three and ten years.

The following tables present the major categories of loans outstanding, including those subject to ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." The loans are presented with the contractual balance, net unaccreted purchase accounting discounts and net deferred fees and costs at the dates indicated:

	Successor June 30, 2011			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 12,124,085	$ (274,699)	$ 10,071	$ 11,859,457
Home equity lines of credit	1,781,041	(24,668)	2,359	1,758,732
Commercial real estate	2,312,605	(153,935)	(1,950)	2,156,720
Multifamily (5+ units)	2,121,549	(69,269)	(2,589)	2,049,691
Single family construction	182,977	(5,717)	(657)	176,603
Multifamily/commercial construction	85,751	(3,588)	(519)	81,644
Total real estate mortgages	18,608,008	(531,876)	6,715	18,082,847
Commercial business loans	1,286,026	(45,444)	(1,311)	1,239,271
Other secured	151,084	(7,824)	(37)	143,223
Unsecured loans and lines of credit	145,857	(5,217)	(1)	140,639
Stock secured	82,150	(99)	238	82,289
Total other loans	1,665,117	(58,584)	(1,111)	1,605,422
Total loans	$ 20,273,125	$ (590,460)	$ 5,604	19,688,269
Less:				
Allowance for loan losses				(38,200)
Loans, net				19,650,069
Real estate loans held for sale				59,358
Total				$ 19,709,427

($ in thousands)	Successor December 31, 2010 Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 11,493,879	$ (312,049)	$ 4,318	$ 11,186,148
Home equity lines of credit	1,755,556	(27,872)	1,219	1,728,903
Commercial real estate	2,175,256	(176,106)	(758)	1,998,392
Multifamily (5+ units)	1,993,317	(80,286)	(820)	1,912,211
Single family construction	168,336	(5,568)	(398)	162,370
Multifamily/commercial construction	115,169	(5,188)	(301)	109,680
Total real estate mortgages	17,701,513	(607,069)	3,260	17,097,704
Commercial business loans	1,220,863	(54,898)	(1,793)	1,164,172
Other secured	167,354	(10,443)	(44)	156,867
Unsecured loans and lines of credit	113,773	(6,576)	(26)	107,171
Stock secured	24,612	(64)	38	24,586
Total other loans	1,526,602	(71,981)	(1,825)	1,452,796
Total loans	$ 19,228,115	$ (679,050)	$ 1,435	18,550,500
Less:				
Allowance for loan losses				(18,809)
Loans, net				18,531,691
Real estate loans held for sale				51,126
Total				$ 18,582,817

The Bank had pledged $12.0 billion and $12.3 billion of loans to secure borrowings from the Federal Home Loan Bank of San Francisco (the "FHLB") as of June 30, 2011 and December 31, 2010, respectively, although only approximately $1.5 billion and $853.4 million, respectively, were required in connection with the outstanding FHLB advances.

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

At June 30, 2011 and December 31, 2010, purchased credit-impaired loans had an unpaid principal balance of $257.7 million and $298.6 million, respectively, and a carrying value of $225.8 million and $263.7 million, respectively.

The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances of $361,000 and $1.6 million during the three and six months ended June 30, 2011, respectively, and $295,000 and $508,000 for the three and six months ended June 30, 2010, 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 periods indicated:

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Predecessor At or for the Three Months Ended June 30, 2010	Successor At or for the Six Months Ended June 30, 2011	Predecessor At or for the Six Months Ended June 30, 2010
Accretable yield:				
Balance at beginning of period	$ 35,315	$ 99,715	$ 33,365	$ 99,317
Transfer to BANA	-	(25,463)	-	(25,463)
Accretion	(5,751)	(3,148)	(8,653)	(7,809)
Reclassification from nonaccretable difference for loans with improving cash flows	1,841	-	5,518	-
Increase in expected cash flows	1,473	-	4,981	5,059
Resolutions/payments in full	(1,964)	-	(4,297)	-
Balance at end of period	$ 30,914	$ 71,104	$ 30,914	$ 71,104

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Predecessor At or for the Three Months Ended June 30, 2010	Successor At or for the Six Months Ended June 30, 2011	Predecessor At or for the Six Months Ended June 30, 2010
Allowance:				
Balance at beginning of period	$ 894	$ 4,423	$ -	$ 6,714
Provision	278	-	1,173	1,750
Reversal of provision	(271)	-	(271)	-
Charge-offs	(155)	-	(156)	(4,041)
Transfer to BANA	-	(4,423)	-	(4,423)
Balance at end of period	$ 746	$ -	$ 746	$ -

Credit Quality

The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of June 30, 2011 and December 31, 2010. Of the $26.7 million of loans on nonaccrual status at June 30, 2011, $16.4 million were current. Of the $18.3 million of loans on nonaccrual status at December 31, 2010, $11.3 million were current.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Greater Than 90 Days Past Due and Accruing	Nonaccrual
At June 30, 2011								
Single Family (1-4 units):								
Purchased non-impaired	$ 200	$ 1,794	$ 102	$ 2,096	$ 8,170,960	$ 8,173,056	$ -	$ 406
Purchased non-impaired that subsequently became impaired	-	-	6,785	6,785	8,502	15,287	-	15,287
Purchased credit-impaired	1,632	-	624	2,256	12,872	15,128	-	3,732
Originated post June 30, 2010 non-impaired	-	-	-	-	3,655,986	3,655,986	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	1,832	1,794	7,511	11,137	11,848,320	11,859,457	-	19,425
Home Equity Credit Lines:								
Purchased non-impaired	752	-	-	752	1,413,750	1,414,502	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	94	94	-	94
Purchased credit-impaired	282	-	-	282	12,448	12,730	-	117
Originated post June 30, 2010 non-impaired	-	-	-	-	331,054	331,054	-	-
Originated post June 30, 2010 impaired	-	-	-	-	352	352	-	352
	1,034	-	-	1,034	1,757,698	1,758,732	-	563
Commercial Real Estate:								
Purchased non-impaired	5,029	714	-	5,743	1,613,889	1,619,632	-	-
Purchased non-impaired that subsequently became impaired	-	-	1,886	1,886	-	1,886	-	1,886
Purchased credit-impaired	-	-	-	-	79,974	79,974	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	455,228	455,228	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	5,029	714	1,886	7,629	2,149,091	2,156,720	-	1,886
Multifamily (5 + units):								
Purchased non-impaired	-	-	670	670	1,410,926	1,411,596	-	669
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	65,593	65,593	-	2,663
Originated post June 30, 2010 non-impaired	-	-	-	-	572,502	572,502	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	670	670	2,049,021	2,049,691	-	3,332
Single Family Construction:								
Purchased non-impaired	-	-	-	-	97,702	97,702	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-	-	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	78,901	78,901	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	176,603	176,603	-	-

<u>Loan Aging</u> *(continued):*

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Greater Than 90 Days Past Due and Accruing	Nonaccrual
<u>At June 30, 2011</u>								
Multifamily/Commercial Construction:								
Purchased non-impaired	-	-	-	-	44,103	44,103	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	3,907	3,907	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	33,634	33,634	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	81,644	81,644	-	-
Commercial Business:								
Purchased non-impaired	221	-	66	287	558,193	558,480	-	143
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	217	217	39,539	39,756	-	1,240
Originated post June 30, 2010 non-impaired	-	-	-	-	641,035	641,035	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	221	-	283	504	1,238,767	1,239,271	-	1,383
Other Secured:								
Purchased non-impaired	-	-	-	-	113,293	113,293	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	6,498	6,498	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	23,432	23,432	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	143,223	143,223	-	-
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	208	-	-	208	65,979	66,187	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	2,244	2,244	-	151
Originated post June 30, 2010 non-impaired	-	-	-	-	72,208	72,208	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	208	-	-	208	140,431	140,639	-	151
Stock Secured:								
Purchased non-impaired	-	-	-	-	16,077	16,077	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-	-	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	66,212	66,212	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	82,289	82,289	-	-
Total	$ 8,324	$ 2,508	$ 10,350	$ 21,182	$ 19,667,087	$ 19,688,269	$ -	$ 26,740

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Greater Than 90 Days Past Due and Accruing	Nonaccrual
December 31, 2010								
Single Family (1-4 units):								
Purchased non-impaired	$ -	$ -	$ -	$ -	$ 9,323,845	$ 9,323,845	$ -	$ -
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	37	-	4,855	4,892	20,551	25,443	-	7,554
Originated post June 30, 2010 non-impaired	-	-	-	-	1,836,860	1,836,860	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	37	-	4,855	4,892	11,181,256	11,186,148	-	7,554
Home Equity Lines of Credit:								
Purchased non-impaired	2,465	-	-	2,465	1,557,985	1,560,450	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	13,858	13,858	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	154,595	154,595	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	2,465	-	-	2,465	1,726,438	1,728,903	-	-
Commercial Real Estate:								
Purchased non-impaired	-	-	-	-	1,709,982	1,709,982	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	2,228	2,228	83,792	86,020	-	4,659
Originated post June 30, 2010 non-impaired	-	-	-	-	202,390	202,390	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	2,228	2,228	1,996,164	1,998,392	-	4,659
Multifamily (5 + units):								
Purchased non-impaired	-	-	-	-	1,590,934	1,590,934	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	66,113	66,113	-	2,732
Originated post June 30, 2010 non-impaired	-	-	-	-	255,164	255,164	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	1,912,211	1,912,211	-	2,732
Single Family Construction:								
Purchased non-impaired	-	-	-	-	130,016	130,016	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-	-	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	32,354	32,354	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	162,370	162,370	-	-

Loan Aging *(continued):*

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Greater Than 90 Days Past Due and Accruing	Nonaccrual
December 31, 2010								
Multifamily/Commercial Construction:								
Purchased non-impaired	-	-	-	-	68,564	68,564	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	26,543	26,543	-	1,782
Originated post June 30, 2010 non-impaired	-	-	-	-	14,573	14,573	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	109,680	109,680	-	1,782
Commercial Business:								
Purchased non-impaired	-	-	-	-	715,965	715,965	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	2,309	-	-	2,309	34,092	36,401	-	886
Originated post June 30, 2010 non-impaired	-	-	-	-	411,806	411,806	-	475
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	2,309	-	-	2,309	1,161,863	1,164,172	-	1,361
Other Secured:								
Purchased non-impaired	-	-	-	-	136,083	136,083	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	6,796	6,796	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	13,988	13,988	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	156,867	156,867	-	-
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	30	5	-	35	74,985	75,020	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	2,570	2,570	-	255
Originated post June 30, 2010 non-impaired	-	-	-	-	29,581	29,581	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	30	5	-	35	107,136	107,171	-	255
Stock Secured:								
Purchased non-impaired	-	-	-	-	17,352	17,352	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-	-	-	-
Originated post June 30, 2010 non-impaired	-	-	-	-	7,234	7,234	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-
	-	-	-	-	24,586	24,586	-	-
Total	$ 4,841	$ 5	$ 7,083	$ 11,929	$ 18,538,571	$ 18,550,500	$ -	$ 18,343

The interest income related to nonaccrual loans is presented in the following table for the periods indicated:

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Actual interest income recognized	$ 41	$ -	$ 41	$ -
Interest income under original terms	$ 289	$ 241	$ 458	$ 466

As of June 30, 2011 and December 31, 2010, balances related to troubled debt restructurings, which were on nonaccrual status, were $15.5 million and $8.5 million, respectively.

The following tables present the recorded investment in loans, by credit quality indicator and by class, as of June 30, 2011 and December 31, 2010:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At June 30, 2011					
Single Family (1-4 units):					
Purchased non-impaired	$ 8,153,525	$ 7,065	$ 12,466	$ -	$ 8,173,056
Purchased non-impaired that subsequently became impaired	-	-	15,287	-	15,287
Purchased credit-impaired	6,849	1,222	7,057	-	15,128
Originated post June 30, 2010 non-impaired	3,650,808	4,478	700	-	3,655,986
Originated post June 30, 2010 impaired	-	-	-	-	-
	11,811,182	12,765	35,510	-	11,859,457
Home Equity Credit Lines:					
Purchased non-impaired	1,409,345	3,868	1,289	-	1,414,502
Purchased non-impaired that subsequently became impaired	-	-	-	94	94
Purchased credit-impaired	1,989	5,053	5,571	117	12,730
Originated post June 30, 2010 non-impaired	331,054	-	-	-	331,054
Originated post June 30, 2010 impaired	-	-	352	-	352
	1,742,388	8,921	7,212	211	1,758,732
Commercial Real Estate:					
Purchased non-impaired	1,591,647	27,152	833	-	1,619,632
Purchased non-impaired that subsequently became impaired	-	-	1,886	-	1,886
Purchased credit-impaired	5,217	49,920	24,837	-	79,974
Originated post June 30, 2010 non-impaired	455,228	-	-	-	455,228
Originated post June 30, 2010 impaired	-	-	-	-	-
	2,052,092	77,072	27,556	-	2,156,720
Multifamily (5 + units):					
Purchased non-impaired	1,399,187	10,560	1,849	-	1,411,596
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	9,161	24,180	32,252	-	65,593
Originated post June 30, 2010 non-impaired	570,461	-	2,041	-	572,502
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,978,809	34,740	36,142	-	2,049,691
Single Family Construction:					
Purchased non-impaired	97,702	-	-	-	97,702
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-
Originated post June 30, 2010 non-impaired	78,901	-	-	-	78,901
Originated post June 30, 2010 impaired	-	-	-	-	-
	176,603	-	-	-	176,603
Multifamily/Commercial Construction:					
Purchased non-impaired	44,103	-	-	-	44,103
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	2,195	1,712	-	3,907
Originated post June 30, 2010 non-impaired	33,634	-	-	-	33,634
Originated post June 30, 2010 impaired	-	-	-	-	-
	77,737	2,195	1,712	-	81,644

Credit Quality Indicators *(continued):*

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At June 30, 2011					
Commercial Business:					
Purchased non-impaired	553,752	1,635	2,950	143	558,480
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	5,120	20,614	13,936	86	39,756
Originated post June 30, 2010 non-impaired	639,994	1,041	-	-	641,035
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,198,866	23,290	16,886	229	1,239,271
Other Secured:					
Purchased non-impaired	104,218	9,075	-	-	113,293
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	6,498	-	-	6,498
Originated post June 30, 2010 non-impaired	23,432	-	-	-	23,432
Originated post June 30, 2010 impaired	-	-	-	-	-
	127,650	15,573	-	-	143,223
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	65,897	212	78	-	66,187
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	190	1,163	859	32	2,244
Originated post June 30, 2010 non-impaired	71,997	211	-	-	72,208
Originated post June 30, 2010 impaired	-	-	-	-	-
	138,084	1,586	937	32	140,639
Stock Secured:					
Purchased non-impaired	16,077	-	-	-	16,077
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-
Originated post June 30, 2010 non-impaired	66,212	-	-	-	66,212
Originated post June 30, 2010 impaired	-	-	-	-	-
	82,289	-	-	-	82,289
Total	$ 19,385,700	$ 176,142	$ 125,955	$ 472	$ 19,688,269

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2010					
Single Family (1-4 units):					
Purchased non-impaired	$ 9,323,845	$ -	$ -	$ -	$ 9,323,845
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	3,915	5,321	16,054	153	25,443
Originated post June 30, 2010 non-impaired	1,833,235	3,625	-	-	1,836,860
Originated post June 30, 2010 impaired	-	-	-	-	-
	11,160,995	8,946	16,054	153	11,186,148
Home Equity Lines of Credit:					
Purchased non-impaired	1,560,450	-	-	-	1,560,450
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	1,131	6,893	5,834	-	13,858
Originated post June 30, 2010 non-impaired	154,595	-	-	-	154,595
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,716,176	6,893	5,834	-	1,728,903
Commercial Real Estate:					
Purchased non-impaired	1,709,982	-	-	-	1,709,982
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	8,090	56,349	21,581	-	86,020
Originated post June 30, 2010 non-impaired	202,390	-	-	-	202,390
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,920,462	56,349	21,581	-	1,998,392
Multifamily (5 + units):					
Purchased non-impaired	1,590,934	-	-	-	1,590,934
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	33,592	32,521	-	66,113
Originated post June 30, 2010 non-impaired	252,206	736	2,222	-	255,164
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,843,140	34,328	34,743	-	1,912,211
Single Family Construction:					
Purchased non-impaired	130,016	-	-	-	130,016
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-
Originated post June 30, 2010 non-impaired	32,354	-	-	-	32,354
Originated post June 30, 2010 impaired	-	-	-	-	-
	162,370	-	-	-	162,370
Multifamily/Commercial Construction:					
Purchased non-impaired	68,564	-	-	-	68,564
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	24,523	2,020	-	26,543
Originated post June 30, 2010 non-impaired	14,573	-	-	-	14,573
Originated post June 30, 2010 impaired	-	-	-	-	-
	83,137	24,523	2,020	-	109,680
Commercial Business:					
Purchased non-impaired	715,965	-	-	-	715,965
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	591	22,316	13,494	-	36,401
Originated post June 30, 2010 non-impaired	406,920	4,368	46	472	411,806
Originated post June 30, 2010 impaired	-	-	-	-	-
	1,123,476	26,684	13,540	472	1,164,172

<u>Credit Quality Indicators</u> *(continued):*

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
<u>December 31, 2010</u>					
Other Secured:					
Purchased non-impaired	136,083	-	-	-	136,083
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	6,699	97	-	6,796
Originated post June 30, 2010 non-impaired	13,988	-	-	-	13,988
Originated post June 30, 2010 impaired	-	-	-	-	-
	150,071	6,699	97	-	156,867
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	75,020	-	-	-	75,020
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	1,493	1,077	-	2,570
Originated post June 30, 2010 non-impaired	28,377	1,204	-	-	29,581
Originated post June 30, 2010 impaired	-	-	-	-	-
	103,397	2,697	1,077	-	107,171
Stock Secured:					
Purchased non-impaired	17,352	-	-	-	17,352
Purchased non-impaired that subsequently became impaired	-	-	-	-	-
Purchased credit-impaired	-	-	-	-	-
Originated post June 30, 2010 non-impaired	7,234	-	-	-	7,234
Originated post June 30, 2010 impaired	-	-	-	-	-
	24,586	-	-	-	24,586
Total	$ 18,287,810	$ 167,119	$ 94,946	$ 625	$ 18,550,500

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, "Receivables – Subsequent Measurement;" (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 quarterly to determine if these loans had 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 with 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 in quarterly meetings of the Bank's Special Assets Committee.

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 disclosed in the tables below. The Bank has maintained a 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. These loans undergo an individual assessment and review by the Bank's Special Assets Committee. If determined necessary, a specific reserve will be recorded for these loans.

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

Allowance Rollforward:

	Single Family (1-4 units)	Home Equity Lines of Credit	Commercial Real Estate	Multifamily (5 + units)	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
Allowance for loan losses:												
At or for the Three Months Ended June 30, 2011												
Beginning balance	$ 4,464	$ 1,202	$ 2,632	$ 3,239	$ 81	$ 247	$ 8,207	$ 379	$ 827	$ 61	$ 4,569	$ 25,908
Provision	2,648	727	1,129	1,751	56	86	4,090	80	681	170	1,879	13,297
Reversal of provision	-	(13)	(27)	-	-	-	(222)	-	(9)	-	-	(271)
Charge-offs	(476)	(225)	-	-	-	-	(7)	-	(26)	-	-	(734)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 6,636	$ 1,691	$ 3,734	$ 4,990	$ 137	$ 333	$ 12,068	$ 459	$ 1,473	$ 231	$ 6,448	$ 38,200
At or for the Six Months Ended June 30, 2011												
Beginning balance	$ 2,010	$ 1,069	$ 1,530	$ 1,922	$ 67	$ 180	$ 7,658	$ 274	$ 581	$ 25	$ 3,493	$ 18,809
Provision	5,102	860	2,231	3,068	70	153	5,115	185	965	206	2,955	20,910
Reversal of provision	-	(13)	(27)	-	-	-	(222)	-	(9)	-	-	(271)
Charge-offs	(476)	(225)	-	-	-	-	(483)	-	(64)	-	-	(1,248)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 6,636	$ 1,691	$ 3,734	$ 4,990	$ 137	$ 333	$ 12,068	$ 459	$ 1,473	$ 231	$ 6,448	$ 38,200
Ending balance: purchased loans individually evaluated for impairment	$ 1,130	$ 381	$ 1	$ 472	$ -	$ -	$ 720	$ -	$ 19	$ -	$ -	$ 2,723
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ 1,452	$ -	$ 283	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,735
Ending balance: purchased credit impaired loans individually evaluated for impairment	$ 15	$ 117	$ 23	$ -	$ -	$ -	$ 560	$ -	$ 31	$ -	$ -	$ 746
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 4,039	$ 1,150	$ 3,427	$ 4,518	$ 137	$ 333	$ 10,788	$ 459	$ 1,423	$ 231	$ 6,448	$ 32,953
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ -	$ 43	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 43
Loans:												
Ending balance	$ 11,859,457	$ 1,758,732	$ 2,156,720	$ 2,049,691	$ 176,603	$ 81,644	$ 1,239,271	$ 143,223	$ 140,639	$ 82,289		$ 19,688,269
Ending balance: purchased loans individually evaluated for impairment	$ 8,173,056	$ 1,414,502	$ 1,619,632	$ 1,411,596	$ 97,702	$ 44,103	$ 558,480	$ 113,293	$ 66,187	$ 16,077		$ 13,514,628
Ending balance: purchased loans individually evaluated for impairment under ASC 310-10-35	$ 15,287	$ 94	$ 1,886	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 17,267
Ending balance: purchased credit impaired loans individually evaluated for impairment	$ 15,128	$ 12,730	$ 79,974	$ 65,593	$ -	$ 3,907	$ 39,756	$ 6,498	$ 2,244	$ -		$ 225,830
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 3,655,986	$ 331,054	$ 455,228	$ 572,502	$ 78,901	$ 33,634	$ 641,035	$ 23,432	$ 72,208	$ 66,212		$ 5,930,192
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ -	$ 352	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 352

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Commercial Real Estate	Multifamily (5 + units)	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
At December 31, 2010												
Allowance for loan losses:												
Ending balance	$ 2,010	$ 1,069	$ 1,530	$ 1,922	$ 67	$ 180	$ 7,658	$ 274	$ 581	$ 25	$ 3,493	$ 18,809
Ending balance: purchased loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 2,010	$ 1,069	$ 1,530	$ 1,922	$ 67	$ 180	$ 7,658	$ 274	$ 581	$ 25	$ 3,493	$ 18,809
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans:												
Ending balance	$ 11,186,148	$ 1,728,903	$ 1,998,392	$ 1,912,211	$ 162,370	$ 109,680	$ 1,164,172	$ 156,867	$ 107,171	$ 24,586		$ 18,550,500
Ending balance: purchased loans individually evaluated for impairment	$ 9,323,845	$ 1,560,450	$ 1,709,982	$ 1,590,934	$ 130,016	$ 68,564	$ 715,965	$ 136,083	$ 75,020	$ 17,352		$ 15,328,211
Ending balance: purchased credit-impaired loans individually evaluated for impairment	$ 25,443	$ 13,858	$ 86,020	$ 66,113	$ -	$ 26,543	$ 36,401	$ 6,796	$ 2,570	$ -		$ 263,744
Ending balance: loans originated post June 30, 2010 collectively evaluated for impairment	$ 1,836,860	$ 154,595	$ 202,390	$ 255,164	$ 32,354	$ 14,573	$ 411,806	$ 13,988	$ 29,581	$ 7,234		$ 2,958,545
Ending balance: loans originated post June 30, 2010 individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -

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. At June 30, 2011 and December 31, 2010, the reserve for unfunded commitments was $3.0 million and $1.4 million, respectively.

The following table presents an analysis of the changes in the allowance for loan losses for the periods indicated:

($ in thousands)	Predecessor At or for the Three Months Ended June 30, 2010	Predecessor At or for the Six Months Ended June 30, 2010
Allowance for loan losses:		
Balance at beginning of period	$ 51,709	$ 45,003
Provision	1,182	17,352
Transfer to BANA [1]	(39,164)	(39,164)
Charge-offs:		
Commercial real estate	-	(4,798)
Multifamily	-	(748)
Commercial business	-	(3,747)
Other loans	-	(544)
Total charge-offs	-	(9,837)
Recoveries:		
Single family	-	62
Commercial real estate	15	102
Commercial business	18	135
Other loans	35	142
Total recoveries	68	441
Net loan (charge-offs) recoveries	68	(9,396)
Balance at end of period	$ 13,795	$ 13,795

[1] The allowance for loan losses related to the loans transferred to BANA in April 2010 in connection with the Transaction.

The following table presents charge-off and allowance ratios for the periods indicated:

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Predecessor At or for the Three Months Ended June 30, 2010	Successor At or for the Six Months Ended June 30, 2011	Predecessor At or for the Six Months Ended June 30, 2010
Average total loans for the period	$ 19,086,944	$ 17,380,059	$ 18,857,877	$ 18,008,755
Total loans at period end	$ 19,688,269	$ 17,353,819	$ 19,688,269	$ 17,353,819
Ratios:				
Net charge-offs (recoveries) to:				
Average total loans (annualized)	0.02%	0.00%	0.01%	0.11%
Allowance for loan losses to:				
Total loans	0.19%	0.08%	0.19%	0.08%
Nonaccruing loans	142.9%	78.8%	142.9%	78.8%

Impaired Loans

The following tables present information related to impaired loans, disaggregated by class, for the periods 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:

	Three Months Ended June 30, 2011		Six Months Ended June 30, 2011		Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
At June 30, 2011											
Single Family (1-4 units):											
Purchased credit-impaired	$ 16,109	$ 856	$ 18,245	$ 1,518	$ 15,128	$ 17,956	$ 12,719	$ 15,063	$ 2,409	$ 2,893	$ 15
Purchased non-impaired that subsequently became impaired	11,225	8	6,342	8	15,287	15,689	2,004	2,100	13,283	13,589	1,452
Originated post June 30, 2010 impaired	-	-	9	-	-	-	-	-	-	-	-
	27,334	864	24,596	1,526	30,415	33,645	14,723	17,163	15,692	16,482	1,467
Home Equity Credit Lines:											
Purchased credit-impaired	12,826	314	13,278	489	12,730	14,323	12,613	14,176	117	147	117
Purchased non-impaired that subsequently became impaired	66	-	38	-	94	94	94	94	-	-	-
Originated post June 30, 2010 impaired	88	-	50	-	352	350	-	-	352	350	43
	12,980	314	13,366	489	13,176	14,767	12,707	14,270	469	497	160
Commercial Real Estate:											
Purchased credit-impaired	83,262	2,101	84,806	3,871	79,974	91,507	70,647	81,808	9,327	9,699	23
Purchased non-impaired that subsequently became impaired	943	-	539	-	1,886	1,886	-	-	1,886	1,886	283
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	84,205	2,101	85,345	3,871	81,860	93,393	70,647	81,808	11,213	11,585	306
Multifamily (5 + units):											
Purchased credit-impaired	65,583	1,024	66,001	1,416	65,593	73,001	65,593	73,001	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	65,583	1,024	66,001	1,416	65,593	73,001	65,593	73,001	-	-	-
Single Family Construction:											
Purchased credit-impaired	-	-	-	-	-	-	-	-	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Multifamily/Commercial Construction:											
Purchased credit-impaired	7,523	639	11,000	521	3,907	4,482	3,907	4,482	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	7,523	639	11,000	521	3,907	4,482	3,907	4,482	-	-	-
Commercial Business:											
Purchased credit-impaired	38,259	695	37,177	868	39,756	46,495	34,316	40,246	5,440	6,249	560
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	38,259	695	37,177	868	39,756	46,495	34,316	40,246	5,440	6,249	560

Impaired Loans *(continued):*

($ in thousands)	Three Months Ended June 30, 2011 Average Recorded Investment	Three Months Ended June 30, 2011 Interest Income Recognized	Six Months Ended June 30, 2011 Average Recorded Investment	Six Months Ended June 30, 2011 Interest Income Recognized	Total Recorded Investment	Total Unpaid Principal Balance	With no related allowance recorded Recorded Investment	With no related allowance recorded Unpaid Principal Balance	With an allowance recorded Recorded Investment	With an allowance recorded Unpaid Principal Balance	With an allowance recorded Related Allowance
At June 30, 2011											
Other Secured:											
Purchased credit-impaired	6,503	122	6,583	69	6,498	7,010	6,498	7,010	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	6,503	122	6,583	69	6,498	7,010	6,498	7,010	-	-	-
Unsecured Loans and Lines of Credit:											
Purchased credit-impaired	2,295	41	2,427	11	2,244	2,878	2,212	2,801	32	77	31
Purchased non-impaired that subsequently became impaired	3	-	2	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	2,298	41	2,429	11	2,244	2,878	2,212	2,801	32	77	31
Stock Secured:											
Purchased credit-impaired	-	-	-	-	-	-	-	-	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total	$ 244,685	$ 5,800	$ 246,497	$ 8,771	$ 243,449	$ 275,671	$ 210,603	$ 240,781	$ 32,846	$ 34,890	$ 2,524

Impaired Loans:	**Total**		**With no related allowance**		**With an allowance**		
($ in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Recorded Investment**	**Unpaid Principal Balance**	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
At December 31, 2010							
Single Family (1-4 units):							
Purchased credit-impaired	$ 25,443	$ 29,109	$ 25,443	$ 29,109	$ -	$ -	$ -
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	25,443	29,109	25,443	29,109	-	-	-
Home Equity Lines of Credit:							
Purchased credit-impaired	13,858	15,984	13,858	15,984	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	13,858	15,984	13,858	15,984	-	-	-
Commercial Real Estate:							
Purchased credit-impaired	86,020	98,632	86,020	98,632	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	86,020	98,632	86,020	98,632	-	-	-
Multifamily (5 + units):							
Purchased credit-impaired	66,113	72,715	66,113	72,715	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	66,113	72,715	66,113	72,715	-	-	-
Single Family Construction:							
Purchased credit-impaired	-	-	-	-	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Multifamily/Commercial Construction:							
Purchased credit-impaired	26,543	27,998	26,543	27,998	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	26,543	27,998	26,543	27,998	-	-	-
Commercial Business:							
Purchased credit-impaired	36,401	43,601	36,401	43,601	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	36,401	43,601	36,401	43,601	-	-	-
Other Secured:							
Purchased credit-impaired	6,796	7,178	6,796	7,178	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	6,796	7,178	6,796	7,178	-	-	-
Unsecured Loans and Lines of Credit:							
Purchased credit-impaired	2,570	3,336	2,570	3,336	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	2,570	3,336	2,570	3,336	-	-	-
Stock Secured:							
Purchased credit-impaired	-	-	-	-	-	-	-
Purchased non-impaired that subsequently became impaired	-	-	-	-	-	-	-
Originated post June 30, 2010 impaired	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	$ 263,744	$ 298,553	$ 263,744	$ 298,553	$ -	$ -	$ -

During the three and six months ended June 30, 2010, the average recorded investment in impaired loans (excluding purchased credit-impaired loans accounted for under ASC 310-30) was $14.4 million and $142.1 million, respectively. The Bank recognized no interest income from such impaired loans for the three and six months ended June 30, 2010.

Note 4. Mortgage Banking Activity

The recorded value of MSRs is amortized in proportion to, and over the period of, estimated net servicing income since July 1, 2010. For the three and six months ended June 30, 2010, MSRs were recorded at fair value with changes in fair value recognized in the income statement. Subsequent to July 1, 2010, the Bank has valued 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. Approximately 95% and 94% of the loans serviced for others by the Bank at June 30, 2011 and December 31, 2010, respectively, are secured by single family residences.

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

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Loans originated	$ 2,443,159	$ 1,384,406	$ 4,298,379	$ 2,386,322
Loans sold:				
Flow sales	$ 97,101	$ 81,419	$ 188,326	$ 141,811
Bulk sales	169,141	-	316,713	-
Total loans sold	$ 266,242	$ 81,419	$ 505,039	$ 141,811
Gain on sale of loans:				
Amount	$ 427	$ 673	$ 4,781	$ 1,290
Percentage of loans sold	0.16%	0.83%	0.95%	0.91%

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

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Predecessor At or for the Three Months Ended June 30, 2010	Successor At or for the Six Months Ended June 30, 2011	Predecessor At or for the Six Months Ended June 30, 2010
Loans serviced for others:				
Beginning balance	$ 3,778,289	$ 3,869,097	$ 3,780,629	$ 3,999,481
Loans sold	266,242	81,419	505,039	141,811
Repayments	(167,297)	(180,043)	(407,547)	(370,819)
Loans repurchased	-	-	(887)	-
Consolidation of variable interest entity	-	(33,427)	-	(33,427)
Ending balance	$ 3,877,234	$ 3,737,046	$ 3,877,234	$ 3,737,046
MSRs:				
Beginning balance	$ 20,967	$ 24,695	$ 21,640	$ 24,544
Additions due to new loans sold	2,511	617	4,558	1,153
Amortization expense	(1,728)	-	(3,478)	-
Provision for valuation allowance	(281)	-	(1,235)	-
Reversal of valuation allowance	256	-	256	-
Reductions due to repurchases	-	-	(16)	-
Changes in fair value:				
Due to changes in valuation model inputs or assumptions	-	(941)	-	(287)
Other changes in fair value	-	(1,000)	-	(2,039)
Total changes in fair value	-	(1,941)	-	(2,326)
Ending balance	$ 21,725	$ 23,371	$ 21,725	$ 23,371
Estimated fair value of MSRs	$ 28,287	$ 23,371	$ 28,287	$ 23,371
MSRs as a percent of loans serviced	0.56%	0.63%	0.56%	0.63%
Weighted average servicing fee collected for the period (annualized)	0.27%	0.26%	0.26%	0.26%
MSRs as a multiple of weighted average servicing fee	2.11 x	2.38 x	2.12 x	2.39 x

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

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Successor At or for the Six Months Ended June 30, 2011
Valuation allowance:		
Beginning balance	$ 1,788	$ 2,863
Provision	281	1,235
Reversal to income due to increase in fair value	(256)	(256)
Reduction due to permanent impairment	(866)	(2,895)
Ending balance	$ 947	$ 947

The following table presents servicing fees for the periods indicated:

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Contractually specified servicing fees	$ 2,557	$ 2,508	$ 5,029	$ 5,076
Late charges and ancillary fees, net of costs	$ (66)	$ (4)	$ (174)	$ (74)

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)	Successor June 30, 2011	Successor December 31, 2010
Fair value of MSRs	$ 28,287	$ 25,911
Weighted average prepayment speed (CPR)	14.87%	16.34%
Impact on fair value of 10% adverse change	$ (1,532)	$ (1,536)
Impact on fair value of 20% adverse change	$ (2,931)	$ (2,950)
Weighted average discount rate	13.17%	13.44%
Impact on fair value of 10% adverse change	$ (1,069)	$ (1,020)
Impact on fair value of 20% adverse change	$ (2,059)	$ (1,962)

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 5. Variable Interest Entities

The Bank's involvement with variable interest entities ("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 most 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. The servicing fee is not considered a variable interest.

The Bank has variable interests in several VIEs related to First Republic real estate mortgage investment conduits ("REMICs") that were formed in 2000 through 2002. The Bank has purchased various tranches of these securitizations. During 2010, the Bank purchased securities in one of the REMICs and became the primary beneficiary of the REMIC, which resulted in its consolidation. The Bank purchased additional securities in this REMIC in 2011, which resulted in a reduction of the debt that the Bank consolidates. The Bank also holds variable interests of less significance in four other REMICs sponsored by the Bank.

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

	Successor June 30, 2011		
($ in thousands)	**VIEs that we do not consolidate**	**VIEs that we consolidate**	**Total**
Assets:			
Investment securities held-to-maturity	$ 3,748	$ -	$ 3,748
Loans	-	30,937	30,937
Tax credit investments	166,589	-	166,589
MSRs	21,725	-	21,725
Total Assets	192,062	30,937	222,999
Liabilities:			
Unfunded commitments - tax credit investments	116,363	-	116,363
Debt	-	22,763	22,763
Total Liabilities	116,363	22,763	139,126
Net Assets	$ 75,699	$ 8,174	$ 83,873

	Successor December 31, 2010		
($ in thousands)	**VIEs that we do not consolidate**	**VIEs that we consolidate**	**Total**
Assets:			
Investment securities held-to-maturity	$ 3,959	$ -	$ 3,959
Loans	-	32,279	32,279
Tax credit investments	115,667	-	115,667
MSRs	21,640	-	21,640
Total Assets	141,266	32,279	173,545
Liabilities:			
Unfunded commitments - tax credit investments	88,987	-	88,987
Debt	-	25,471	25,471
Total Liabilities	88,987	25,471	114,458
Net Assets	$ 52,279	$ 6,808	$ 59,087

The Bank's exposure to loss with respect to the consolidated VIE is limited to the investment in the securities purchased of approximately $8.2 million at June 30, 2011 and $6.8 million at December 31, 2010. 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 $192.1 million at June 30, 2011 and $141.3 million at December 31, 2010.

Note 6. Goodwill and Intangible Assets

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

($ in thousands)	Successor							
	June 30, 2011				December 31, 2010			
	Gross Carrying Value		Accumulated Amortization		Gross Carrying Value		Accumulated Amortization	
Amortized intangible assets:								
MSRs, before valuation allowance	$	29,976	$	(7,304)	$	28,329	$	(3,826)
Core deposit intangibles		87,550		(16,571)		87,550		(8,502)
Customer relationship intangibles		39,150		(7,409)		39,150		(3,801)
Total amortized intangibles	$	156,676	$	(31,284)	$	155,029	$	(16,129)
Goodwill	$	24,604			$	24,604		
Trade name	$	42,900			$	42,900		

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

($ in thousands)	Commercial Banking		Wealth Management		Total	
Predecessor						
Balance as of December 31, 2009 and June 30, 2010	$	-	$	-	$	-
Successor						
Balance as of December 31, 2010 and June 30, 2011	$	24,604	$	-	$	24,604

The following table presents the estimated future amortization for intangible assets as of June 30, 2011:

($ in thousands)	Successor					
	MSRs		Core deposit intangibles		Customer relationship intangibles	
July 1 - December 31, 2011	$	3,802	$	7,632	$	3,413
2012		5,018		13,965		6,245
2013		3,226		12,228		5,468
2014		2,129		10,492		4,692
2015		1,661		8,755		3,915
2016		1,295		7,018		3,138

Note 7. Derivative Financial Instruments

Management uses derivative instruments, including interest rate swaps and caps, as part of its interest rate risk management strategy. In accordance with ASC 815, “Derivatives and Hedging,” 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.

As of June 30, 2011, the Bank has $500.0 million of interest rate swaps, which convert floating-rate deposits to fixed rates as a cash flow hedge. The Bank is hedging its exposure to the variability of future cash flows for approximately 2.5 years. The Bank records the effective portion of the change in the fair value initially in accumulated other comprehensive income and subsequently in interest expense on deposits when the hedged item affects earnings. The ineffective portion of the change in the fair value of a cash flow hedge, if any, is recognized in earnings. The Bank assesses hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis.

The following table presents the net losses recognized on the interest rate swaps for the periods indicated:

	Successor	
($ in thousands)	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Net losses (pre-tax) recognized in other income (ineffective portion)	$ (1,026)	$ (514)
Losses (pre-tax) recognized in accumulated other comprehensive income	$ (3,608)	$ (3,664)
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$ (724)	$ (1,396)

During the next twelve months, the Bank estimates that $2.5 million will be reclassified as an increase to interest expense. The Bank did not have any derivatives in hedging relationships for the six months ended June 30, 2010.

The Bank also has derivative assets and liabilities consisting of foreign exchange contracts executed with customers; the Bank offsets the customer exposure with another financial institution counterparty represented by major investment banks and large commercial banks. 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 for derivatives at the dates indicated:

	Successor					
	June 30, 2011			December 31, 2010		
		Fair value			Fair value	
($ in thousands)	Notional or contractual amount	Asset derivatives [1]	Liability derivatives [2]	Notional or contractual amount	Asset derivatives [1]	Liability derivatives [2]
Qualifying hedge contracts:						
Interest rate contracts	$ 500,000	$ -	$ 2,047	$ 500,000	$ 735	$ -
Total		$ -	$ 2,047		$ 735	$ -
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	$ 621,427	$ 12,851	$ 11,631	$ 375,263	$ 19,543	$ 18,158
Interest rate contracts with borrowers	$ 22,486	21	70	$ 47,078	6	183
Forward loan sale commitments	$ 80,885	74	25	$ 98,146	183	6
Total		$ 12,946	$ 11,726		$ 19,732	$ 18,347

(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 counterparty to the contracts. Management does not anticipate non-performance by any of the counterparties.

Note 8. Fair Value Disclosures

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 Measurements and Disclosures," 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 upon 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 June 30, 2011 and December 31, 2010; 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.

Methods and assumptions used to estimate the fair value of each major classification of financial instruments were:

Cash and cash equivalents: The 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 value due to the short time between the origination of the instrument and its expected settlement.

Investment securities: For investment securities, the Bank used current market prices, quotations or analysis of estimated future cash flows to determine fair value.

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, estimated credit risk and accrual status.

The Bank bases the fair value of single family, multifamily and commercial real estate mortgages primarily upon prices of loans with similar terms obtained by or quoted to the Bank, adjusted for differences in loan characteristics and market conditions. The Bank estimates the fair value of other loans 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 based on management's judgment 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.

MSRs: The fair value of MSRs is based on a present value calculation of expected future cash flows, with assumptions regarding prepayments, discount rates and investment rates adjusted for market conditions.

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.

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.

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.

Customer deposits: The fair value of deposits with no stated term such as demand deposit accounts, money market accounts and passbook accounts is 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 deposits with a stated maturity is based on the present value of contractual cash flows discounted by the replacement rates for deposits with similar remaining maturities.

FHLB advances: The estimated fair value of longer-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.

Subordinated notes: The fair value is based on current market prices for traded issues.

Debt related to variable interest entity: The fair value is based on current market prices or quotations.

Derivative financial instruments: Derivative assets and liabilities consist of interest rate swaps, foreign exchange contracts, interest rate lock commitments and forward loan sale commitments. The Bank uses current market information such as the current yield curve to determine the fair value of interest rate swaps. 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.

Commitments to extend credit: The majority of the Bank's commitments to extend credit carry current market interest rates if converted to loans. Because these commitments are generally unassignable by either the Bank or the borrower, they have value only to the Bank and the borrower. The estimated fair value of the Bank's commitments to extend credit, including letters of credit, approximates the recorded deferred fee amounts and was not material at June 30, 2011 or December 31, 2010.

The following table presents the estimated fair values of financial instruments at the dates indicated:

	Successor			
	June 30, 2011		**December 31, 2010**	
($ in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets:				
Cash and cash equivalents	$ 790,767	$ 790,767	$ 1,528,075	$ 1,528,075
Securities purchased under agreements to resell	8,267	8,267	-	-
Investment securities available-for-sale	563,008	563,008	75,602	75,602
Investment securities held-to-maturity	1,430,655	1,424,462	1,017,402	953,473
Loans, net	19,650,069	19,758,615	18,531,691	18,598,787
Loans held for sale	59,358	59,418	51,126	51,672
MSRs	21,725	28,287	21,640	25,911
FHLB stock	51,700	51,700	28,200	28,200
Investments in life insurance	432,496	432,496	391,750	391,750
Derivative assets	12,946	12,946	20,467	20,467
Liabilities:				
Customer deposits	19,939,848	19,979,435	19,235,749	19,279,489
FHLB advances	1,100,000	1,127,586	600,000	598,872
Subordinated notes	67,054	68,157	68,374	67,596
Debt related to VIE	22,763	21,129	25,471	24,129
Derivative liabilities	13,773	13,773	18,347	18,347

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	Successor			
	Fair Value Measurements on a Recurring Basis June 30, 2011			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
U.S. Treasury and federal agencies	$ 100,495	$ -	$ -	$ 100,495
Residential agency MBS	-	194,676	-	194,676
Residential non-agency MBS	-	30,827	-	30,827
Commercial MBS	-	237,010	-	237,010
Derivative assets	-	12,946	-	12,946
Total	$ 100,495	$ 475,459	$ -	$ 575,954
Liabilities:				
Derivative liabilities	$ -	$ 13,773	$ -	$ 13,773

($ in thousands)	Successor Fair Value Measurements on a Recurring Basis December 31, 2010 Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
U.S. Treasury and federal agencies	$ 46,000	$ -	$ -	$ 46,000
Residential agency MBS	-	29,602	-	29,602
Derivative assets	-	20,467	-	20,467
Total	$ 46,000	$ 50,069	$ -	$ 96,069
Liabilities:				
Derivative liabilities	$ -	$ 18,347	$ -	$ 18,347

There were no transfers in or out of Levels 1 and 2 for the three and six months ended June 30, 2011 and 2010.

The changes in level 3 MSRs measured at fair value on a recurring basis are summarized in the table below for the periods indicated:

($ in thousands)	Predecessor At or for the Three Months Ended June 30, 2010	At or for the Six Months Ended June 30, 2010
Beginning balance	$ 24,695	$ 24,544
Total gains included in earnings	(941)	(287)
Purchases, issuances and settlements	(383)	(886)
Ending balance	$ 23,371	$ 23,371

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments for fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at June 30, 2011 and December 31, 2010, the following tables provide the fair value hierarchy and the carrying value of the related individual assets or portfolios at the dates indicated:

($ in thousands)	Successor Fair Value Measurements on a Nonrecurring Basis June 30, 2011 Level 1	Level 2	Level 3	Total
Assets:				
Impaired loans	$ -	$ -	$ 2,744	$ 2,744
MSRs	-	-	2,436	2,436
Total	$ -	$ -	$ 5,180	$ 5,180

($ in thousands)	Successor Fair Value Measurements on a Nonrecurring Basis December 31, 2010 Level 1	Level 2	Level 3	Total
Assets:				
MSRs	$ -	$ -	$ 8,915	$ 8,915

The following table presents losses related to nonrecurring fair value measurements for the periods indicated. The losses for the three and six months ended June 30, 2011 and June 30, 2010 relate to assets still held on the balance sheet as of June 30, 2011 and June 30, 2010, respectively.

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Impaired loans	$ (195)	$ -	$ (195)	$ -
MSRs	(25)	-	(930)	-
Other real estate owned	-	(278)	-	(278)
Total	$ (220)	$ (278)	$ (1,125)	$ (278)

Note 9. Segments

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 and balanced accounts. In addition, the wealth management segment also includes First Republic Trust Company, a division of the Bank that offers personal trust services; the Bank's mutual fund activities; the brokerage activities of FRSC; and the Bank's foreign exchange activities conducted on behalf of customers.

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 periods indicated:

	Successor At or for the Three Months Ended June 30, 2011			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 251,268	$ 5,534	$ -	$ 256,802
Provision for loan losses	13,026	-	-	13,026
Noninterest income	9,065	19,189	(1,057)	27,197
Amortization of intangibles	3,980	1,780	-	5,760
Other noninterest expense	114,549	19,577	(1,057)	133,069
Income before provision for income taxes	128,778	3,366	-	132,144
Provision for income taxes	44,677	1,465	-	46,142
Net income before noncontrolling interests	84,101	1,901	-	86,002
Less: Net income from noncontrolling interests	1,170	-	-	1,170
Net Income	$ 82,931	$ 1,901	$ -	$ 84,832
Goodwill	$ 24,604	$ -	$ -	$ 24,604
Total Assets	$ 23,722,632	$ 95,040	$ (19,899)	$ 23,797,773

($ in thousands)	Predecessor At or for the Three Months Ended June 30, 2010 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 195,435	$ 2,718	$ -	$ 198,153
Provision for loan losses	1,182	-	-	1,182
Noninterest income	11,266	14,196	(321)	25,141
Noninterest expense	96,840	17,593	(321)	114,112
Income (loss) before provision for income taxes	108,679	(679)	-	108,000
Provision (benefit) for income taxes	46,544	(289)	-	46,255
Net income (loss) before noncontrolling interests	62,135	(390)	-	61,745
Less: Net income from noncontrolling interests	1,198	-	-	1,198
Net Income (Loss)	$ 60,937	$ (390)	$ -	$ 60,547
Goodwill	$ -	$ -	$ -	$ -
Total Assets	$ 19,455,510	$ 61,723	$ (5,561)	$ 19,511,672

($ in thousands)	Successor At or for the Six Months Ended June 30, 2011 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 501,070	$ 10,226	$ -	$ 511,296
Provision for loan losses	20,639	-	-	20,639
Noninterest income	23,067	37,277	(2,081)	58,263
Amortization of intangibles	8,069	3,608	-	11,677
Other noninterest expense	226,020	38,202	(2,081)	262,141
Income before provision for income taxes	269,409	5,693	-	275,102
Provision for income taxes	96,554	2,483	-	99,037
Net income before noncontrolling interests	172,855	3,210	-	176,065
Less: Net income from noncontrolling interests	2,461	-	-	2,461
Net Income	$ 170,394	$ 3,210	$ -	$ 173,604
Goodwill	$ 24,604	$ -	$ -	$ 24,604
Total Assets	$ 23,722,632	$ 95,040	$ (19,899)	$ 23,797,773

($ in thousands)	Predecessor At or for the Six Months Ended June 30, 2010 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 407,924	$ 5,315	$ -	$ 413,239
Provision for loan losses	17,352	-	-	17,352
Noninterest income	22,727	27,360	(629)	49,458
Noninterest expense	185,210	32,383	(629)	216,964
Income before provision for income taxes	228,089	292	-	228,381
Provision for income taxes	97,014	124	-	97,138
Net income before noncontrolling interests	131,075	168	-	131,243
Less: Net income from noncontrolling interests	2,396	-	-	2,396
Net Income	$ 128,679	$ 168	$ -	$ 128,847
Goodwill	$ -	$ -	$ -	$ -
Total Assets	$ 19,455,510	$ 61,723	$ (5,561)	$ 19,511,672

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 after July 1, 2010, 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 10. Concentrations

At June 30, 2011, approximately 1% of our deposit accounts hold approximately 35% of total deposits, compared to 33% at December 31, 2010.

Note 11. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the quarter ended June 30, 2011.

On July 7, 2011, the Bank completed a secondary public offering of 13,000,000 shares of its common stock. All of the shares in the offering were sold by shareholders of First Republic. The Bank did not receive any proceeds from the sale of common stock by the selling shareholders. There was no significant impact to the Bank's stockholders' equity or financial position as a result of this offering.

Subsequent to June 30, 2011, the Bank borrowed $600.0 million of longer-term, fixed-rate advances from the FHLB of San Francisco to improve its asset/liability matching position, and $500.0 million of shorter-term advances for general purposes. At August 8, 2011, the Bank's total outstanding FHLB advances were $2.2 billion, and the Bank's unused, available borrowing capacity was approximately $5.9 billion.

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

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. 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 forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors" in the Quarterly Report or under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Form 10-K"). 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 rates 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, 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 the amount of intangible assets, as well as related tax entries and amortization of recorded amounts;
- Future provisions for loan losses, increases 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;

- Proposed legislative and regulatory action affecting us and the financial services industry;

- Increased costs as a result of being an independent public company;

- 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 Quarterly Report and our 2010 Form 10-K. 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.

Introduction

We derive our income from three principal areas: (1) net interest income, which is our largest source of income, and constitutes the difference between the interest income that we receive from interest-earning assets, such as loans and investment securities, and the interest expense that we pay on interest-bearing liabilities, such as customer 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.

History

Bank of America Acquisition

On January 1, 2009, Merrill Lynch was acquired by Bank of America. First Republic continued to operate as a separate division of MLFSB until November 2, 2009, when we became a division of BANA. Bank of America applied purchase accounting in the acquisition of Merrill Lynch and our assets and liabilities were recorded at fair value on January 1, 2009. As a result, our goodwill and other intangible assets were reduced to zero, our allowance for loan losses was eliminated, and new fair values on our assets and liabilities were established as of the effective date of the acquisition. The majority of the resulting discounts or premiums were accreted to our net interest income and noninterest income over the lives of the assets and liabilities. As used herein, MLFSB and BANA are referred to as the "Parent."

Acquisition of the First Republic Business

After the close of business on June 30, 2010, the current First Republic Bank acquired substantially all of the assets and assumed substantially all of the liabilities of the First Republic division of BANA (the "Transaction"). In addition, First Republic also acquired the outstanding common stock of First Republic Investment Management, Inc. ("FRIM"), First Republic Wealth Advisors, LLC ("FRWA"), First Republic Securities Company, LLC ("FRSC"), First Republic Preferred Capital Corporation, Inc. ("FRPCC") and First Republic Preferred Capital Corporation II, Inc. ("FRPCC II"), which was renamed First Republic Lending Corporation, Inc. ("FRLC") on May 10, 2011. Simultaneously with the closing of the Transaction, the current First Republic Bank received a contribution of $1.86 billion to its common equity capital from an investor group led by management of First

Republic that included Colony Capital, LLC and General Atlantic LLC. The assets acquired and liabilities and noncontrolling interests assumed were measured at fair value as a result of the Transaction. Accordingly, goodwill and intangible assets of approximately $194 million were recorded. We also established loan discounts and liability premiums, the majority of which will be accreted to our net interest income.

Key Factors Affecting Our Business and Financial Statements

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 Federal Open Market Committee of the Federal Reserve System ("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. 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 London Interbank Offered Rates ("LIBOR"), near zero. These low rates have reduced our cost of funding and resulted in our net interest margin increasing from our historical levels over the past few years. Since the closing of the Transaction, we have borrowed from the Federal Home Loan Bank of San Francisco ("FHLB") on a long-term basis and entered into interest rate swaps to reduce our interest rate risk. The impact of these actions has been to cause our contractual net interest margin to decline in the first half of 2011 from the first half of 2010. 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.

Purchase Accounting Accretion and Amortization

In connection with the Bank of America acquisition and the Transaction, our assets and liabilities were measured at fair value. We recorded discounts on loans and loan commitments and premiums on certificates of deposit ("CDs") and borrowings, which were accreted to net interest income and noninterest income over the lives of the related loans and liabilities.

In connection with the Bank of America acquisition, loan discounts of $1.1 billion were recorded on our balance sheet as a reduction to the amounts outstanding from customers. The portion of the loan discount that was accreted to interest income was recognized using methods that approximate the interest method over the estimated lives of the loans. In addition, we established a liability for unfunded commitments of $133.3 million for loans for which we were committed to advance additional funds at the date of acquisition. These discounts were being accreted to noninterest income over the life of the loan commitment. In addition, as the commitment was drawn by the borrower, a portion of the unamortized unfunded commitment discount was reclassified on the balance sheet as a loan discount and then accreted to interest income.

In connection with the Transaction, loan discounts of $763.3 million were recorded on our balance sheet as a reduction to the amounts outstanding from customers. Substantially all of the loan discount is being accreted to interest income over the contractual lives of the loans. We established a premium on CDs of approximately $137.1 million, which is amortized to interest expense over the life of the CDs. In addition, we recorded intangible assets of $169.6 million and goodwill of $24.6 million. Intangible assets associated with core deposit and wealth management customer relationships are amortized on an accelerated basis over a period of ten years.

The following table presents the significant balance sheet items that were impacted by purchase accounting at the dates indicated:

($ in thousands)	Successor June 30, 2011	March 31, 2011	December 31, 2010	July 1, 2010
Assets:				
Acquired loans (unpaid principal balance)	$ 14,351,306	$ 15,214,544	$ 16,271,076	$ 18,027,438
Purchase accounting discount	(589,411)	(630,219)	(677,792)	(763,322)
Total	$ 13,761,895	$ 14,584,325	$ 15,593,284	$ 17,264,116
Liabilities:				
Acquired CDs	$ 2,819,542	$ 3,562,979	$ 4,243,383	$ 5,997,075
Purchase accounting premium	64,993	79,344	96,066	137,127
Total	$ 2,884,535	$ 3,642,323	$ 4,339,449	$ 6,134,202
Subordinated notes	$ 63,770	$ 63,770	$ 63,770	$ 63,770
Purchase accounting premium	3,284	3,947	4,604	5,902
Total	$ 67,054	$ 67,717	$ 68,374	$ 69,672
Liability for loan commitments	$ 2,957	$ 6,674	$ 8,349	$ 9,260

The following tables present purchase accounting loan discount accretion, liability premium amortization, accretion of discounts on loan commitments and recognition of discounts established in purchase accounting on loans sold which increase gain on sale of loans, as well as the amortization of intangible assets included in our income statement for the periods indicated:

($ in thousands)	Successor Three Months Ended June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	Predecessor Three Months Ended June 30, 2010
Accretion/amortization to net interest income:					
Loans	$ 43,773	$ 43,309	$ 48,233	$ 36,000	$ 13,828
Deposits	14,351	16,722	19,540	21,520	-
Borrowings	663	657	652	646	238
Total	$ 58,787	$ 60,688	$ 68,425	$ 58,166	$ 14,066
Noninterest income:					
Gain on sale of loans	$ -	$ 3,827	$ -	$ -	$ -
Loan commitments	166	1,054	-	-	5,290
Total	$ 166	$ 4,881	$ -	$ -	$ 5,290
Amortization to noninterest expense:					
Intangible assets	$ 5,760	$ 5,917	$ 6,073	$ 6,230	$ -

($ in thousands)	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Accretion/amortization to net interest income:		
Loans	$ 87,082	$ 37,695
Deposits	31,073	-
Borrowings	1,320	475
Total	$ 119,475	$ 38,170
Noninterest income:		
Gain on sale of loans	$ 3,827	$ -
Loan commitments	1,220	8,220
Total	$ 5,047	$ 8,220
Amortization to noninterest expense:		
Intangible assets	$ 11,677	$ -

The loan discount accretion for the three and six months ended June 30, 2010 has been reduced by a cumulative adjustment of $42.0 million and $72.8 million, respectively, of previously recorded loan discount accretion on single family mortgage loans and home equity lines of credit ("HELOCs") as a result of applying the retrospective guidance in Accounting Standards Codification ("ASC") 310-20, "Nonrefundable Fees and Other Costs." In 2009 and through June 30, 2010, the accretion of the loan discount for single family mortgage loans and HELOCs was accounted for as a pool which includes an estimate of prepayments. It was determined that the single family and HELOC loan pools were not repaying as fast as initially projected and that an adjustment to reduce the cumulative accretion recorded in 2009 and the three months ended March 31, 2010 was necessary.

Dodd-Frank Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") is complex, and many aspects of it are subject to rulemaking that will take effect over several years. Further, many of its provisions are applicable only to financial institutions that are larger or more systemically significant than we are. However, 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 June 30, 2011, we had $6.5 billion of deposits in checking accounts, of which $3.9 billion were in non-interest bearing accounts maintained by our corporate business clients. The prohibition on depository institutions from paying interest on demand deposits, such as checking accounts, was repealed effective July 21, 2011. We do not yet know if our competitors will pay interest on corporate checking accounts or what market rates will eventually be, and we therefore cannot estimate the impact of the repeal at this time to our interest expense on deposits. If we need to offer 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 run off. For the second quarter and first six months of 2011, our revenue from prepayment penalties was $3.0 million and $7.0 million, respectively, compared to $1.7 million and $3.0 million for the same periods in 2010.

We are reviewing the impact to us of the Dodd-Frank Act's restrictions on certain deposit fees. Our deposit fee income is primarily from value-added fees or monthly service fees and not from overdraft or similar charges. Therefore, we believe that our deposit fee income will not be materially affected by these restrictions.

The “Durbin Amendment” of the Dodd-Frank Act authorizes the Federal Reserve to issue regulations governing debit card interchange fees and requires that fees be “reasonable and proportional” to the costs incurred by issuers for electronic debit transactions. In June 2011, the Federal Reserve issued a final rule limiting debit card interchange fees. As a result of the new rule, which will become effective on October 1, 2011, we currently expect that beginning in the fourth quarter of 2011, our fee income would be reduced by approximately $600,000, or approximately 50% of interchange fee income, before the impact of any offsetting actions. In addition, we may incur higher deposit related costs for the reimbursement of fees charged by other financial institutions for use of their ATMs.

Downgrade of U.S. Credit Rating

On August 5, 2011, Standard & Poor’s lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. As a result, on August 8, 2011, Standard & Poor’s also lowered its long-term issuer credit ratings from AAA to AA+ on 10 Federal Home Loan Banks, including the Federal Home Loan Bank of San Francisco, of which First Republic is a member, and lowered its senior issue ratings on Fannie Mae and Freddie Mac from AAA to AA+.

The investments we currently own that may be impacted by this downgrade totaled $194.7 million at June 30, 2011, or less than 1% of our total assets, and represented mortgage-backed securities (“MBS”) issued by government agencies or collateralized by MBS issued by government agencies. During July 2011, we sold approximately $100.5 million of U.S. Treasury securities, which were held in our investment portfolio at June 30, 2011. See Note 2 to “Item 1. Financial Statements.” for information on our investment securities, and Part II, “Item 1A. Risk Factors,” for further information on risks related to the downgrade.

Format of Presentation

The effects of purchase accounting for the Transaction and the Bank of America acquisition have had a significant impact on the comparability of our historical financial statements for the three and six months ended June 30, 2011 and 2010. The financial statements for the three and six months ended June 30, 2011 were prepared using the basis of accounting established in the Transaction (“Successor”). The financial statements for the three and six months ended June 30, 2010 were prepared using the basis of accounting established in the Bank of America acquisition (“Predecessor”).

The following discussion compares the results of operations for the second quarter of 2011 to the first quarter of 2011, in addition to the comparison of the results for the second quarter of 2011 to the second quarter of 2010 and the first six months of 2011 to the same period in 2010. We believe that comparing the results of operations for periods subsequent to the Transaction is more meaningful due to the change in the basis of accounting. In addition, we have included noninterest income and noninterest expense in a tabular format for the third and fourth quarters of 2010 and the first quarter of 2011 to allow for comparison of periods subsequent to the closing of the Transaction. See “ — Key Factors Affecting Our Business and Financial Statements — Purchase Accounting Accretion and Amortization” for additional information regarding the effects of purchase accounting resulting from the Transaction.

Selected Financial Data

The following tables present selected financial data and ratios at the dates or for the periods indicated:

	Successor				Predecessor
	At or for the Three Months Ended				At or for the Three Months Ended
($ in thousands, except per share amounts)	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Selected Financial Data:					
Interest income	$ 285,934	$ 281,921	$ 282,979	$ 263,828	$ 243,874
Interest expense	29,132	27,427	26,349	27,588	45,721
Net interest income	256,802	254,494	256,630	236,240	198,153
Provision for loan losses	13,026	7,613	14,309	4,500	1,182
Net interest income after provision for loan losses	243,776	246,881	242,321	231,740	196,971
Noninterest income	27,197	31,066	27,412	19,028	25,141
Noninterest expense	138,829	134,989	143,033	136,203	114,112
Net income	$ 84,832	$ 88,772	$ 75,967	$ 66,395	$ 60,547
Selected Ratios:					
Diluted earnings per share ("EPS")	$ 0.64	$ 0.67	$ 0.60	$ 0.53	n/a
Diluted EPS (non-GAAP) (1)	$ 0.41	$ 0.41	$ 0.35	$ 0.35	n/a
Net income to average assets (2)	1.42%	1.55%	1.35%	1.22%	1.25%
Net income to average common equity (2)	14.83%	16.35%	14.99%	13.78%	20.52%
Net interest margin (2)	4.67%	4.76%	4.90%	4.54%	4.29%
Net interest margin (non-GAAP) (1), (2)	3.54%	3.55%	3.50%	3.31%	3.84%
Efficiency ratio	48.9%	47.3%	50.4%	53.4%	51.1%
Efficiency ratio (non-GAAP) (1)	59.1%	58.7%	59.4%	59.0%	56.0%
Tier 1 leverage ratio	9.38%	9.24%	9.24%	8.58%	7.03%
Tier 1 common equity ratio	13.90%	14.16%	13.77%	12.96%	9.67%
Tier 1 risk-based capital ratio	14.39%	14.69%	14.38%	13.60%	10.41%
Total risk-based capital ratio	14.74%	14.97%	14.61%	13.73%	10.71%
Book value per common share	$ 18.03	$ 17.32	$ 16.59	$ 15.58	n/a
Tangible book value per common share	$ 16.71	$ 15.96	$ 15.18	$ 14.07	n/a
Nonperforming assets to total assets	0.12%	0.10%	0.08%	0.07%	0.09%

(1) For a reconciliation of each ratio to its equivalent ratio under Generally Accepted Accounting Principles ("GAAP"), see "—Use of Non-GAAP Financial Measures."
(2) Three months' data is annualized.

($ in thousands, except per share amounts)	Successor At or for the Six Months Ended June 30, 2011		Predecessor At or for the Six Months Ended June 30, 2010	
Selected Financial Data:				
Interest income	$	567,855	$	508,838
Interest expense		56,559		95,599
Net interest income		511,296		413,239
Provision for loan losses		20,639		17,352
Net interest income after provision for loan losses		490,657		395,887
Noninterest income		58,263		49,458
Noninterest expense		273,818		216,964
Net income	$	173,604	$	128,847
Selected Ratios:				
Diluted EPS	$	1.31		n/a
Diluted EPS (non-GAAP) [1]	$	0.82		n/a
Net income to average assets [2]		1.48%		1.33%
Net income to average common equity [2]		15.57%		21.03%
Net interest margin [2]		4.72%		4.47%
Net interest margin (non-GAAP) [1], [2]		3.54%		3.90%
Efficiency ratio		48.1%		46.9%
Efficiency ratio (non-GAAP) [1]		58.9%		52.1%

[1] For a reconciliation of each ratio to its equivalent ratio under GAAP, see "—Use of Non-GAAP Financial Measures."
[2] Six months' data is annualized.

Results of Operations –
Three Months Ended June 30, 2011 Compared with Three Months Ended March 31, 2011

Overview

Our total assets were $23.8 billion at June 30, 2011 and $22.4 billion at December 31, 2010, a 6% increase. Since our reestablishment as an independent bank on July 1, 2010, total assets are up 17%.

At June 30, 2011, loans outstanding, including loans held for sale, were $20.3 billion, compared to $19.3 billion at December 31, 2010, a 5% increase. Loans outstanding increased 13% since July 1, 2010. Our single family mortgage loans, including loans held for sale and HELOCs, were $13.7 billion and represented 69% of total loans at June 30, 2011.

Loan origination volume increased to $2.4 billion for the second quarter of 2011, compared to $1.9 billion for the first quarter of 2011, an increase of 32%. Loan originations increased in the second quarter due to low interest rates, an increased level of home purchases and continuing to add new customers. We have originated $8.4 billion of loans since July 1, 2010.

Total deposits were $19.9 billion at June 30, 2011, an increase of 4%, compared to $19.2 billion at December 31, 2010. Deposits increased 11% since July 1, 2010. Balances in business and personal checking accounts were $6.5 billion, or 33% of total deposits, as we continued to emphasize building banking relationships by opening checking and other transaction deposit accounts. Total liquid accounts, consisting of checking, money market and passbook accounts, were 75% of total deposits at June 30, 2011 compared to 70% at December 31, 2010 and 66% at July 1, 2010. CDs have declined to 25% of total deposits at June 30, 2011 from 30% at December 31, 2010 and 34% at July 1, 2010, as a result of our current strategy to further improve the mix of our deposits by reducing single product CD households.

The Bank's Tier 1 leverage and total risk-based capital ratios at June 30, 2011 were 9.38% and 14.74%, respectively. The Bank continues to meaningfully exceed all regulatory guidelines.

Book value and tangible book value per common share were $18.03 and $16.71, respectively, at June 30, 2011. This represents a 21% increase in book value per share and a 25% increase in tangible book value per share during the last twelve months.

Wealth management assets under management or administration increased $2.8 billion, or 17%, to $19.6 billion at June 30, 2011 from $16.8 billion at December 31, 2010. Wealth management assets increased 34% since July 1, 2010. The increase in assets under management was due to the hiring of new personnel, the addition of new clients and market appreciation.

Net income was $84.8 million and $88.8 million for the second quarter of 2011 and the first quarter of 2011, respectively, a decrease of $3.9 million, or 4%. Diluted EPS were $0.64 and $0.67 for the second quarter of 2011 and the first quarter of 2011, respectively. Net income for the second quarter of 2011 was reduced by a one-time expense from accelerated vesting of certain stock options of $2.4 million after-tax, or $0.02 per share. Net income for the first quarter of 2011 was increased by $2.2 million after-tax, or $0.02 per share, from purchase accounting discounts recognized upon the sale of certain acquired loans.

Excluding the impact of purchase accounting, net income was $54.2 million and $54.5 million for the second quarter of 2011 and the first quarter of 2011, respectively, and diluted EPS were $0.41 for both the second quarter of 2011 and first quarter of 2011. For a reconciliation of net income and diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $82.9 million and $87.5 million for the second quarter of 2011 and the first quarter of 2011, respectively, a decrease of $4.5 million, or 5%. Net income for the Wealth Management segment was $1.9 million for the second quarter of 2011, compared to net income of $1.3 million for the first quarter of 2011.

Net Interest Income

Net interest income was $256.8 million for the second quarter of 2011, compared to $254.5 million for the first quarter of 2011. Included in net interest income are the effects of purchase accounting due to the Transaction. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $58.8 million and $60.7 million during the second quarter of 2011 and the first quarter of 2011, respectively.

Average interest-earning assets for the second quarter of 2011 increased 3% compared with the first quarter of 2011 and the average yield decreased 8 basis points. Average interest-bearing liabilities increased 3% and the average rate increased 1 basis point compared with the first quarter of 2011. The impact of these changes to the net interest margin for the second quarter of 2011 was a decrease of 9 basis points to 4.67%, compared with 4.76% for the first quarter of 2011. The net interest margin is calculated as annualized net interest income, on a tax-equivalent basis, divided by total average interest-earning assets and includes the impact of purchase accounting.

Management also evaluates the net interest margin based upon the contractual rates earned and paid on our assets and liabilities (the "contractual net interest margin," a non-GAAP measure), which excludes the impact of purchase accounting. The contractual net interest margin was 3.54% and 3.55% for the second quarter of 2011 and the first quarter of 2011, respectively. For the second quarter of 2011, the average one-month LIBOR rate was 164 basis points less than the average five-year U.S. Treasury rate. As long as the yield curve remains steep, our net interest margin and net interest income are expected to remain above their long-term averages. However, there can be no assurance that this trend will continue, and if short-term interest rates rise significantly from their current very low levels or the yield curve otherwise flattens, our net interest margin may decrease, perhaps materially. For a reconciliation of contractual net interest margin to its equivalent ratio under GAAP, see "—Use of Non-GAAP Financial Measures."

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 second quarter of 2011 and the first quarter of 2011. 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 investment securities and certain loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

	Successor					
	Three Months Ended					
	June 30, 2011			March 31, 2011		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:						
Cash equivalents	$ 1,826,348	$ 1,276	0.28%	$ 2,080,705	$ 1,193	0.23%
Securities purchased under agreements to resell	11,849	1	0.03%	2,944	1	0.14%
Investment securities [1], [2]	1,630,533	15,889	5.81%	1,184,071	11,987	6.26%
Loans [2]	19,159,668	268,768	5.61%	18,703,214	268,740	5.77%
Total interest-earning assets	22,628,398	285,934	5.19%	21,970,934	281,921	5.27%
Noninterest-earning assets	1,329,315			1,293,118		
Total Assets	$ 23,957,713			$ 23,264,052		
Liabilities and Equity:						
Checking	$ 6,566,733	749	0.05%	$ 6,046,086	713	0.05%
Other liquid deposits	8,433,182	9,544	0.45%	8,169,663	9,309	0.46%
CDs	5,246,008	12,020	0.92%	5,659,053	11,732	0.84%
Total deposits	20,245,923	22,313	0.44%	19,874,802	21,754	0.44%
FHLB advances and other borrowings	1,050,516	6,246	2.38%	822,683	5,095	2.51%
Subordinated notes	67,377	573	3.40%	68,039	578	3.40%
Total borrowings	1,117,893	6,819	2.45%	890,722	5,673	2.58%
Total interest-bearing liabilities	21,363,816	29,132	0.55%	20,765,524	27,427	0.54%
Noninterest-bearing liabilities	218,013			210,406		
Equity before noncontrolling interests	2,294,634			2,201,552		
Noncontrolling interests	81,250			86,570		
Total Liabilities and Equity	$ 23,957,713			$ 23,264,052		
Net interest spread [3]			4.64%			4.73%
Net interest income and net interest margin [4]		$ 256,802	4.67%		$ 254,494	4.76%
Adjusted net interest income and contractual net interest margin (non-GAAP) [5]		$ 198,015	3.54%		$ 193,806	3.55%

(1) Includes FHLB stock.

(2) In the second quarter of 2011, in order to calculate the yield on tax-advantaged investment securities and loans on a tax-equivalent basis, reported interest income was increased by $7.8 million and $959,000, respectively. In the first quarter of 2011, reported interest income was increased by $6.5 million for tax-advantaged investment securities and $823,000 for loans.

(3) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.

(4) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

(5) 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 $268.8 million for the second quarter of 2011, compared to $268.7 million for the first quarter of 2011. The accretion of loan discounts increased $464,000, or 1%, to $43.8 million for the second quarter of 2011 from $43.3 million in the first quarter of 2011. Average loan balances were $19.2 billion for the second quarter of 2011 compared to $18.7 billion in the first quarter of 2011. The average yield on loans for the second quarter of 2011 decreased 16 basis points to 5.61% in the second quarter of 2011 from 5.77% for the first quarter of 2011.

Our yield on loans is affected by market rates, the level of adjustable rate loan indices, interest rate floors and caps, repayment of loans with higher fixed rates, the level of loans held for sale, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 4.41% at June 30, 2011, 4.54% at March 31, 2011 and 4.64% at December 31, 2010. For adjustable rate mortgage loans, the yield is affected by the timing of changes in the loan rates, which generally lag market rate changes. Of the total loan portfolio, including loans held for sale, 38% were adjustable rate loans that reprice in six months or less at June 30, 2011 and at March 31, 2011. The proportion of single family loans in our loan portfolio also affects our loan yields, because single family loans generally earn interest rates that are lower than rates for other types of loans. For the second quarter of 2011, the average balance of single family loans, excluding HELOCs, was 60% of the total average balance of our loan portfolio, compared to 61% at March 31, 2011. The carrying value of loans, including loans held for sale, was $19.7 billion at June 30, 2011, an increase of $870.7 million, or 5%, from $18.9 billion at March 31, 2011.

Interest income on investments includes income earned on short-term investments, investment securities and FHLB stock. Interest income on investments increased $3.9 million to $15.9 million for the second quarter of 2011 from $12.0 million for the first quarter of 2011. The increase is due primarily to the purchases of new investments as the average balance increased to $1.6 billion for the second quarter of 2011 compared to $1.2 billion for the first quarter of 2011. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.81% in the second quarter of 2011 compared to 6.26% for the first quarter of 2011.

Interest income on cash equivalents increased to $1.3 million for the second quarter of 2011 from $1.2 million for the first quarter of 2011. The increase is the result of a slightly higher yield partially offset by lower average cash balances as we continue to invest our cash balances in higher yielding assets such as loans and investment securities. The average yield on cash equivalents was 0.28% in the second quarter of 2011 compared to 0.23% for the first quarter of 2011.

Interest Expense

Total interest expense consists of three components: customer deposits, FHLB advances and other borrowings and subordinated notes. Total interest expense for the second quarter of 2011 increased $1.7 million, or 6%, to $29.1 million from $27.4 million for the first quarter of 2011. This increase was primarily due to an increase in average interest-bearing liabilities of $598.3 million, or 3%, to $21.4 billion for the second quarter of 2011 from $20.8 billion for the first quarter of 2011. 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 $15.0 million and $17.4 million during the second quarter of 2011 and the first quarter of 2011, respectively. The average contractual cost of total interest-bearing liabilities decreased slightly during the second quarter of 2011 as a result of an improvement in deposit mix as we continued to reduce single-product CD households.

Interest expense on deposits, consisting of checking accounts, money market and passbook accounts and CDs, was $22.3 million for the second quarter of 2011, compared to $21.8 million for the first quarter of 2011. Interest expense on deposits during the second quarter of 2011 and the first quarter of 2011 was reduced $14.4 million and $16.7 million, respectively, by the amortization of premiums on CDs. The average cost of deposits was 0.44% for the second quarter of 2011 and first quarter of 2011. Average deposit balances increased 2% to $20.2 billion for the second quarter of 2011 from $19.9 billion for the first quarter of 2011. The decline in the cost of deposits was primarily due to an improved deposit mix as we continued to reduce single-product CD households.

Average checking account balances increased to 32% of average total deposits for the second quarter of 2011, compared with 30% for the first quarter of 2011. Total average other liquid accounts, including money market and passbook accounts, were 42% of average total deposits for the second quarter of 2011 and 41% for the first quarter of 2011. CDs were 26% of average total deposits for the second quarter of 2011 and 29% for the first quarter of 2011, and the average rate on these deposits increased 8 basis points to 0.92% from 0.84% due to lower amortization of CD premiums. The contractual interest rates paid on CDs during the second quarter of 2011 was 2.04% compared to 2.07% for the first quarter of 2011. At June 30, 2011, because of the continued decline in market rates and improved deposit mix with a higher percentage of checking and other liquid accounts, the weighted average contractual rate paid on total deposits was 0.70%, down 6 basis points compared with 0.76% at March 31, 2011. The Eleventh District Cost of Funds Index ("COFI") decreased 11 basis points over the same period. At June 30, 2011, our total deposits were $19.9 billion, compared with $20.0 billion at March 31, 2011. 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 FHLB advances increased $1.1 million to $6.2 million for the second quarter of 2011, from $5.0 million for the first quarter of 2011, due to an increase in average FHLB advances to $1.0 billion for the second quarter of 2011, compared to $797.8 million for the first quarter of 2011, which was partially offset by a decrease in the average cost of advances by 15 basis points to 2.41% in the second quarter of 2011, compared to 2.56% in the first quarter of 2011.

Our total outstanding FHLB advances were $1.1 billion at June 30, 2011 and $900 million at March 31, 2011. The weighted average contractual rate paid on our FHLB advances was 2.34% at June 30, 2011, compared with 2.54% at March 31, 2011.

Interest expense on subordinated notes includes interest payments and amortization of purchase accounting premiums on our long-term, capital-related subordinated notes that bear fixed rates. The average cost of subordinated notes was 3.40% for the second quarter of 2011 and the first quarter of 2011. At June 30, 2011 and March 31, 2011, the weighted average contractual rate paid on subordinated notes was 7.75%.

Noninterest Income

The following table presents noninterest income for the periods indicated:

	Successor			
	Three Months Ended			
($ in thousands)	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
Noninterest income:				
Investment advisory fees	$ 11,814	$ 10,656	$ 9,270	$ 8,339
Brokerage and investment fees	2,155	2,346	2,977	2,149
Trust fees	1,694	1,726	1,750	1,249
Deposit customer fees	3,771	3,642	3,636	3,671
Loan servicing fees, net	805	(232)	(823)	(863)
Loan and related fees	833	816	849	715
Gain on sale of loans	427	4,354	3,800	1,033
Income from investments in life insurance	4,092	3,730	3,233	838
Accretion of discount on loan commitments	166	1,054	-	-
Other income	1,440	2,974	2,720	1,897
Total noninterest income	$ 27,197	$ 31,066	$ 27,412	$ 19,028

Noninterest income for the second quarter of 2011 decreased $3.9 million, or 12%, to $27.2 million from $31.1 million for the first quarter of 2011. The decrease in noninterest income was primarily due to lower gain on sale of loans and accretion of discount on loan commitments, offset by higher investment advisory fees and loan servicing fees.

Investment advisory fees. Investment advisory fees were $11.8 million for the second quarter of 2011, an 11% increase from $10.7 million for the first quarter of 2011. The increase was primarily due to an increase in assets under management as a result of the addition of new clients' assets and market appreciation. Investment advisory fees vary with the amount of assets managed by our investment advisory subsidiaries and the type of account chosen by the client. Generally, our 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 $2.2 million for the second quarter of 2011, an 8% decrease from $2.3 million for the first quarter of 2011. The decrease in brokerage fees was primarily due to lower commissions and continued low fees on money market mutual funds in the second quarter of 2011. 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 for the second quarter of 2011 and the first quarter of 2011 were $1.7 million. The future level of these fees depends on the level and mix of assets under custody or administration.

Deposit customer fees. We earn fees from our clients for deposit services. Deposit customer fees were $3.8 million for the second quarter of 2011 and $3.6 million for the first quarter of 2011. These fees vary with the level of account activity and have generally increased as our deposit activities have grown.

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 mortgage servicing rights ("MSRs") and the amount of provisions for, or recovery of, the MSR valuation allowance. Loan servicing fees, net of amortization expense and provisions for valuation allowance, were $805,000 for the second quarter of 2011, compared to ($232,000) for the first quarter of 2011. The increase in net loan servicing fees for the second quarter of 2011 was primarily due to lower impairment recorded on MSRs as compared to the prior quarter.

Contractual servicing fees were $2.6 million for the second quarter of 2011 and $2.5 million for the first quarter of 2011. The amount of contractual servicing fees depends upon the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced was approximately 0.27% for the second quarter of 2011 and 0.26% for the first quarter of 2011.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. In the second quarter of 2011, the annualized repayment speeds on loans serviced were 16%, compared to 22% in the first quarter of 2011. Amortization expense of $1.7 million was recorded for the second quarter of 2011, compared to $1.8 million in first quarter of 2011. In addition, we recorded net provisions for impairment of $25,000 during the second quarter of 2011, compared to $954,000 for the first quarter of 2011. We recorded lower impairment provisions during the current quarter as prepayment speeds declined from the prior quarter.

Loan and related fees. Loan and related fee income was $833,000 for the second quarter of 2011, a 2% increase from $816,000 for the first quarter of 2011. 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 of $3.0 million and $3.9 million for second quarter of 2011 and first quarter of 2011, respectively; such fees related to both loans in our loan portfolio (recorded as interest income) and to loans serviced for investors (recorded as loan fee income). 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 as mortgages with prepayment penalties run off over time.

Gain on sale of loans. The net gain on the sale of $266.2 million of loans was $427,000, or approximately 16 basis points on the loans sold for the second quarter of 2011. In comparison, the net gain on sale of loans was $4.4 million on loan sales of $238.8 million, or 182 basis points on loans sold for the first quarter of 2011. The net gain on sales of loans during the first quarter of 2011 included $3.8 million of purchase accounting discounts established on such loans. In addition, in the first quarter, we committed to sell $166.8 million of loans for which we recorded a $1.7 million writedown to reflect the loans at their estimated market value based on committed sales prices. This amount reduced the net gain on sale of loans for the first quarter of 2011. These loans are included in the second quarter loan sales of $266.2 million with no gain or loss on the sale. 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.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $4.1 million for the second quarter of 2011, compared to $3.7 million for the first quarter of 2011. The income on these investments helps to offset the cost of providing employee benefits. During the second quarter of 2011, we purchased an additional $32.8 million of bank-owned life insurance. Our portfolio of these tax-advantaged investments was $432.5 million at June 30, 2011, compared to $395.6 million at March 31, 2011.

Accretion of discount on loan commitments. Accretion of discount on loan commitments was $166,000 for the second quarter of 2011, compared to $1.1 million for the first quarter of 2011. The higher accretion in the first quarter of 2011 was primarily due to commitments expiring unused during the first quarter as the loans for the projects were either refinanced or paid off by the borrower.

Other income. Other income primarily includes fees we earn from transacting foreign exchange business on behalf of our customers. Foreign exchange fee income was $2.2 million for the second quarter of 2011, a 3% increase from $2.1 million for the first quarter of 2011. The increase was primarily the result of additional volume and increased business with our customers. 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.

Other income also includes ineffectiveness recorded on our hedging of certain deposit accounts. During the second quarter of 2011, we recorded a loss of $1.0 million on these relationships compared to a gain of $512,000 in the first quarter of 2011. During the last three quarters, our net hedge ineffectiveness recorded on the deposit hedging relationships was $0.

Noninterest Expense

The following table presents noninterest expense for the periods indicated:

	Successor			
	Three Months Ended			
($ in thousands)	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
Noninterest expense:				
Salaries and related benefits	$ 68,733	$ 64,221	$ 71,734	$ 59,016
Occupancy	15,912	16,014	15,383	15,186
Information systems	14,212	12,513	11,568	9,147
Advertising and marketing	7,053	6,309	5,716	5,872
Professional fees	3,010	4,433	5,493	5,774
FDIC and other deposit assessments	4,497	8,700	8,439	8,205
Amortization of intangibles	5,760	5,917	6,073	6,230
Divestiture-related expenses	-	-	-	13,768
Other expenses	19,652	16,882	18,627	13,005
Total noninterest expense	$ 138,829	$ 134,989	$ 143,033	$ 136,203

Our noninterest expense consists primarily of salary, occupancy and other expenses related to conducting and expanding our operations. Noninterest expense increased by $3.8 million or 3%, to $138.8 million for the second quarter of 2011, from $135.0 million for the first quarter of 2011. The increase in noninterest expense was primarily due to a $4.2 million one-time expense associated with the accelerated vesting of certain stock options, increased information technology, advertising and marketing and other expenses, offset by lower FDIC deposit assessments and professional fees.

Our efficiency ratio, the ratio of noninterest expenses to the sum of net interest income and noninterest income, was 48.9% for the second quarter of 2011, compared with 47.3% for the first quarter of 2011. Excluding the impacts of purchase accounting, the adjusted efficiency ratio was 59.1% and 58.7% for the second quarter of 2011 and the first quarter of 2011, respectively. For a reconciliation of the efficiency ratio to its equivalent ratio under GAAP, see "—Use of Non-GAAP Financial Measures."

Salaries and related benefits. Salaries and related benefits is the largest component of noninterest expense and includes the cost of incentive compensation, benefit plans, health insurance and payroll taxes, which have collectively increased in each of the past several years as we employed more personnel through hirings to support our growth. Salaries and related benefit expenses were $68.7 million for the second quarter of 2011, a 7% increase from $64.2 million for the first quarter of 2011. Approximately $4.2 million of the increase was due to the one-time expense associated with the accelerated vesting of certain stock options in the second quarter of 2011. In addition, salaries and benefits have increased due to the hiring of new personnel to support higher levels of total assets, loan origination, deposit growth and wealth management activities, and higher incentive compensation related to continued expansion of our franchise. At June 30, 2011, we had 1,681 full-time equivalent employees, an 8% increase in full-time equivalent employees from 1,553 at March 31, 2011.

Occupancy. Occupancy costs were $15.9 million for the second quarter of 2011, a 1% decrease from $16.0 million for the first quarter of 2011. The level of occupancy costs varies with the number of Preferred Banking offices and the number of employees and will increase as new offices open.

Information systems. These expenses include payments to vendors who provide software and services on an outsourced basis, costs related to supporting and developing internet-based activities and the cost of telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $14.2 million for the second quarter of 2011, a 14% increase from $12.5 million for the first quarter of 2011. The increase in information systems costs was due to continued technology initiatives to upgrade our systems and support our growth.

Advertising and marketing. We advertise in various forms of media, including newspapers and radio primarily to support deposit growth in our Preferred Banking offices. Advertising and marketing expenses were $7.1 million for the second quarter of 2011, a 12% increase from $6.3 million for the first quarter of 2011. The increase in advertising and marketing costs was the result of additional advertising to support our growth.

Professional fees. Professional fees include legal services required to complete transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, accountants and other consultants. These expenses were $3.0 million for the second quarter of 2011, a 32% decrease from $4.4 million for the first quarter of 2011. The decrease is primarily the result of fewer consulting projects in the second quarter.

FDIC and other deposit assessments. FDIC and other deposit assessments were $4.5 million for the second quarter of 2011, a 48% decrease from $8.7 million in the first quarter of 2011. The decrease during the second quarter of 2011 was due to the new FDIC guidelines regarding deposit assessments, which were effective April 1, 2011. We expect our calculated assessment rate to remain at this new, lower level in future quarters.

Amortization of intangibles. Amortization expense for the second quarter of 2011 was $5.8 million, a decrease of 3% from $5.9 million for the first quarter of 2011.

Other expenses. These expenses include costs related to loan originations, customer service, communications, supplies, hiring and other operations. Other expenses were $19.7 million for the second quarter of 2011, an increase of 16% from $16.9 million for the first quarter of 2011. Expenses in this category primarily vary in proportion with transaction volume, the number of corporate locations and employees, and inflation.

Provision for Income Taxes

The provision for income taxes varies from statutory tax rates due to the amount of income for financial statement and tax purposes, the investments in tax-advantaged securities and tax credit funds and the rates charged by federal and state authorities. Our effective tax rate for the six months ended June 30, 2011 was 36.0% and represents our current estimated tax rate for the full year ended 2011. As a result, the effective tax rate for the second quarter of 2011 declined to 34.9%, compared to 37.0% for the first quarter of 2011. The decrease in the effective tax rate is primarily due to the amount of tax-advantaged investments in tax-exempt securities, bank-owned life insurance and tax credit investments.

Results of Operations –
Three Months Ended June 30, 2011 Compared with Three Months Ended June 30, 2010

Overview

Net income was $84.8 million and $60.5 million for the second quarter of 2011 and the second quarter of 2010, respectively, an increase of $24.3 million, or 40%. Diluted EPS were $0.64 for the second quarter of 2011. Excluding the impact of purchase accounting, net income was $54.2 million and $49.4 million for the second quarter of 2011 and the second quarter of 2010, respectively, an increase of $4.8 million, or 10%. Diluted EPS were $0.41 for the second quarter of 2011. For a reconciliation of net income and diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $82.9 million and $60.9 million for the second quarter of 2011 and the second quarter of 2010, respectively, an increase of $22.0 million, or 36%. Net income for the Wealth Management segment was $1.9 million for the second quarter of 2011, compared to a net loss of $390,000 for the second quarter of 2010.

Net Interest Income

Net interest income was $256.8 million for the second quarter of 2011, an increase of $58.6 million, or 30%, compared with $198.2 million for the second quarter of 2010. Included in net interest income are the effects of purchase accounting due to the Bank of America acquisition and the Transaction. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $58.8 million and $14.1 million during the second quarter of 2011 and 2010, respectively.

Average interest-earning assets for the second quarter of 2011 increased 22% compared with the second quarter of 2010 and the average yield decreased 9 basis points. Average interest-bearing liabilities increased 19% and the average rate decreased 47 basis points compared with the second quarter of 2010. The impact of these changes to the net interest margin for the second quarter of 2011 was an increase of 38 basis points to 4.67%, compared with 4.29% for the second quarter of 2010.

The contractual net interest margin was 3.54% and 3.84% for the second quarter of 2011 and 2010, respectively. The decrease in our contractual net interest margin from the prior year was primarily the result of lower short-term and longer-term interest rates, increased fixed-rate, term advances from the FHLB that were drawn to improve our asset/liability matching position, and increased cash balances, which earn interest at overnight rates. Contractual net interest margin is a non-GAAP financial measure. For a reconciliation of contractual net interest margin to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

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 second quarter of 2011 and 2010. 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 investment securities and certain loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

($ in thousands)	Successor Three Months Ended June 30, 2011 Average Balance	Interest	Yields/ Rates	Predecessor Three Months Ended June 30, 2010 Average Balance	Interest	Yields/ Rates
Assets:						
Cash equivalents	$ 1,826,348	$ 1,276	0.28%	$ 9,070	$ 20	0.88%
Parent company lending	-	-	-	1,064,048	4,830	1.80%
Securities purchased under agreements to resell	11,849	1	0.03%	-	-	-
Investment securities (1), (2)	1,630,533	15,889	5.81%	49,045	117	0.96%
Loans (2)	19,159,668	268,768	5.61%	17,401,660	238,907	5.51%
Total interest-earning assets	22,628,398	285,934	5.19%	18,523,823	243,874	5.28%
Noninterest-earning assets	1,329,315			866,439		
Total Assets	$ 23,957,713			$ 19,390,262		
Liabilities and Equity:						
Checking	$ 6,566,733	749	0.05%	$ 4,668,605	724	0.06%
Other liquid deposits	8,433,182	9,544	0.45%	7,101,670	12,856	0.73%
CDs	5,246,008	12,020	0.92%	5,974,096	30,987	2.08%
Total deposits	20,245,923	22,313	0.44%	17,744,371	44,567	1.01%
FHLB advances and other borrowings	1,050,516	6,246	2.38%	130,803	114	0.35%
Subordinated notes	67,377	573	3.40%	65,603	1,040	6.36%
Total borrowings	1,117,893	6,819	2.45%	196,406	1,154	2.36%
Total interest-bearing liabilities	21,363,816	29,132	0.55%	17,940,777	45,721	1.02%
Noninterest-bearing liabilities	218,013			166,497		
Equity before noncontrolling interests	2,294,634			1,183,398		
Noncontrolling interests	81,250			99,590		
Total Liabilities and Equity	$ 23,957,713			$ 19,390,262		
Net interest spread (3)			4.64%			4.26%
Net interest income and net interest margin (4)		$ 256,802	4.67%		$ 198,153	4.29%
Adjusted net interest income and contractual net interest margin (non-GAAP) (5)		$ 198,015	3.54%		$ 184,087	3.84%

(1) Includes FHLB stock.

(2) In order to calculate the yield on tax-advantaged investment securities and loans on a tax-equivalent basis, reported interest income was increased by $7.8 million and $959,000 in 2011, respectively.

(3) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.

(4) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

(5) For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Interest Income

Interest income on loans increased $29.9 million, or 12%, to $268.8 million for the second quarter of 2011 from $238.9 million for the second quarter of 2010. The accretion of loan discounts increased $29.9 million to $43.8 million for the second quarter of 2011 from $13.8 million in the second quarter of 2010. The second quarter of 2010 includes interest income on the $2.1 billion of loans that BANA retained as part of the Transaction. Interest income earned on these loans was approximately $4.9 million during the second quarter of 2010. Average loan balances were $19.2 billion for the second quarter of 2011 and $17.4 billion for the second quarter of 2010, an increase of 10%. The average yield on loans, including the accretion of loan discounts, increased 10 basis points to 5.61% in the second quarter of 2011 from 5.51% for the second quarter of 2010.

Interest income on investments increased $15.8 million to $15.9 million for the second quarter of 2011 from $117,000 for the second quarter of 2010. The increase is due to the purchases of new investments since the closing of the Transaction, as the average balance increased to $1.6 billion for the second quarter of 2011, compared to $49.0 million for the second quarter of 2010. While we were part of BANA, we did not maintain a significant investment securities portfolio. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.81% in the second quarter of 2011 compared to 0.96% for the second quarter of 2010.

Interest income on cash equivalents increased to $1.3 million for the second quarter of 2011 from $20,000 for the second quarter of 2010. The increase is due to increased cash balances as a result of the issuance of common stock on July 1, 2010 as part of the Transaction, deposit growth and new fixed-rate, term FHLB advances. The average yield on cash equivalents was 0.28% in the second quarter of 2011 compared to 0.88% for the second quarter of 2010.

Prior to July 1, 2010, interest on loans to Parent company was recognized at one-month LIBOR plus 1.50% based on the average lending during each month. Interest on loans to Parent company was $4.8 million for the second quarter of 2010.

Interest Expense

Total interest expense for the second quarter of 2011 decreased 36% to $29.1 million from $45.7 million for the second quarter of 2010. This decline was the result of a 47 basis point decline in the average cost of liabilities to 0.55% for the second quarter of 2011 from 1.02% for the second quarter of 2010, while average interest-bearing liabilities increased by $3.4 billion, or 19%, to $21.4 billion for the second quarter of 2011 from $17.9 billion for the second quarter of 2010. 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 $15.0 million and $238,000 during the second quarter of 2011 and 2010, respectively. The average contractual cost of total interest-bearing liabilities decreased as a result of the continuing decline in market rates of interest and an improvement in our deposit mix with a continued reduction in single-product CD households.

Interest expense on deposits decreased $22.3 million, or 50%, to $22.3 million for the second quarter of 2011 from $44.6 million for the second quarter of 2010. Interest expense on deposits during the second quarter of 2011 was reduced $14.4 million by the amortization of premiums on CDs. The average cost of deposits decreased 57 basis points to 0.44% for the second quarter of 2011 from 1.01% for the second quarter of 2010 while average deposit balances increased 14% to $20.2 billion for the second quarter of 2011 from $17.7 billion for the second quarter of 2010. The decline in the cost of deposits was due to lower rates paid on deposits as market rates have continued to decline and remain at very low levels, an improved mix of deposits and higher amortization of CD premiums.

Interest expense on FHLB advances increased $6.0 million to $6.2 million for the second quarter of 2011, from $114,000 for the second quarter of 2010, due to an increase in average FHLB advances to $1.0 billion for the second quarter of 2011, compared to $130.4 million for the second quarter of 2010. In addition, the average cost of FHLB advances increased 206 basis points to 2.41% in the second quarter of 2011, compared to 0.35% in the second quarter of 2010. The FHLB advances in the second quarter of 2011 were fixed rate advances with generally longer maturities compared to the FHLB advances in the second quarter of 2010, which were floating rate advances with shorter maturities.

Interest expense on subordinated notes includes interest payments and amortization of purchase accounting premiums on our long-term, capital-related subordinated notes that bear fixed rates. The average cost of subordinated notes was 3.40% for the second quarter of 2011 and 6.36% for the second quarter of 2010.

Noninterest Income

($ in thousands)	Successor Three Months Ended June 30, 2011		Predecessor Three Months Ended June 30, 2010	
Noninterest income:				
Investment advisory fees	$	11,814	$	8,406
Brokerage and investment fees		2,155		2,734
Trust fees		1,694		1,032
Deposit customer fees		3,771		3,674
Loan servicing fees, net		805		567
Loan and related fees		833		962
Gain on sale of loans		427		673
Income from investments in life insurance		4,092		47
Accretion of discount on loan commitments		166		5,290
Other income		1,440		1,756
Total noninterest income	$	27,197	$	25,141

Noninterest income for the second quarter of 2011 increased $2.1 million, or 8%, to $27.2 million from $25.1 million for the second quarter of 2010. The increase in noninterest income was primarily due to higher investment advisory fees, trust fees and income from investments in life insurance. These increases were offset by lower accretion of discount on loan commitments and lower brokerage and investment fees.

Investment advisory fees. Investment advisory fees were $11.8 million for the second quarter of 2011, a 41% increase from $8.4 million for the second quarter of 2010. The increase was primarily due to an increase in assets under management as a result of the addition of new clients' assets and market appreciation.

Brokerage and investment fees. Brokerage and investment fees were $2.2 million for the second quarter of 2011, a 21% decrease from $2.7 million for the second quarter of 2010. The decrease in brokerage fees was primarily due to lower commissions and continued low fees earned on money market mutual funds.

Trust fees. Trust fees for the second quarter of 2011 were $1.7 million, a 64% increase from $1.0 million for the second quarter of 2010. The increase in trust fees is primarily due to the addition of new clients and an increase in assets under custody or administration.

Deposit customer fees. We earn fees from our clients for deposit services. Deposit customer fees were $3.8 million for the second quarter of 2011 and $3.7 million for the second quarter of 2010.

Loan servicing fees, net. Loan servicing fees, net of amortization expense and provisions for valuation allowance in 2011 and changes in fair value in 2010, were $805,000 for the second quarter of 2011, compared to $567,000 for the second quarter of 2010. Net loan servicing fees for the second quarter of 2011 included amortization expense of $1.7 million and net impairment of $25,000 recorded on MSRs during the second quarter of 2011. In the second quarter of 2010, we recorded reductions in the fair value of MSRs of $1.9 million, which reduced loan servicing fees.

Contractual servicing fees were $2.6 million for the second quarter of 2011, a 2% increase from $2.5 million for the second quarter of 2010. The increase in contractual servicing fees was driven by new additions to the servicing portfolio which exceeded loan payoffs.

Loan and related fees. Loan and related fee income was $833,000 for the second quarter of 2011, a 13% decrease from $962,000 for the second quarter of 2010.

Gain on sale of loans. The net gain on the sale of $266.2 million of loans was $427,000, or approximately 16 basis points on the loans sold for the second quarter of 2011. Loans sold in the second quarter of 2011 include

$166.8 million that were committed for sale in the first quarter of 2011 and had no gain or loss impact to the current quarter. In comparison, the net gain on sale of loans was $673,000 on loan sales of $81.4 million, or 83 basis points on loans sold for the second quarter of 2010.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $4.1 million for the second quarter of 2011, compared to $47,000 for the second quarter of 2010. The increase in 2011 resulted from an increase in the balance of life insurance investments as we purchased $385 million of bank-owned life insurance from multiple carriers during the second half of 2010 and $32.8 million in the first half of 2011. In March 2010, BANA retained a majority of the previously owned bank-owned life insurance as part of the Transaction.

Accretion of discount on loan commitments. Accretion of discount on loan commitments was $166,000 for the second quarter of 2011, compared to $5.3 million for the second quarter of 2010. The decrease in accretion was primarily due to establishing new discounts as part of the Transaction, which were lower than those established in the Bank of America acquisition.

Other income. Other income primarily includes fees we earn from transacting foreign exchange business on behalf of our customers. Foreign exchange fee income was $2.2 million for the second quarter of 2011, a 55% increase from $1.4 million for the second quarter of 2010. The increase was primarily due to the addition of new clients and an increased volume of activity. In addition, the second quarter of 2011 includes a loss of $1.0 million on the Bank's hedging of certain deposit accounts.

Noninterest Expense

($ in thousands)	Successor Three Months Ended June 30, 2011	Predecessor Three Months Ended June 30, 2010
Noninterest expense:		
Salaries and related benefits	$ 68,733	$ 56,547
Occupancy	15,912	14,031
Information systems	14,212	12,293
Advertising and marketing	7,053	3,508
Professional fees	3,010	3,353
FDIC and other deposit assessments	4,497	10,688
Amortization of intangibles	5,760	-
Other expenses	19,652	13,692
Total noninterest expense	$ 138,829	$ 114,112

Noninterest expense increased by $24.7 million or 22% to $138.8 million for the second quarter of 2011 from $114.1 million for the second quarter of 2010. The increase in noninterest expense was primarily due to higher salaries and benefits, occupancy, information systems costs, advertising and marketing and other expenses, partially offset by a decline in FDIC and other deposits assessments. In addition, we recorded $5.8 million of amortization of intangible assets resulting from the Transaction during the second quarter of 2011 compared to no such costs in the same quarter of 2010.

Our efficiency ratio, the ratio of noninterest expenses to the sum of net interest income and noninterest income, was 48.9% for the second quarter of 2011, compared with 51.1% for the second quarter of 2010. Excluding the impacts of purchase accounting, the adjusted efficiency ratio was 59.1% and 56.0% for the second quarter of 2011 and 2010, respectively. For a reconciliation of the efficiency ratio to its equivalent ratio under GAAP, see "—Use of Non-GAAP Financial Measures."

Salaries and related benefits. Salaries and related benefit expenses were $68.7 million for the second quarter of 2011, a 22% increase from $56.5 million for the second quarter of 2010. The increase was primarily the result of new personnel to support higher levels of total assets, loan origination and deposit growth, wealth management activities and higher incentive compensation related to continued expansion of our franchise. In addition, the second quarter of 2011 includes $4.2 million of one-time expense associated with the accelerated vesting of certain stock options. At June 30, 2011, we had 1,681 full-time equivalent employees, a 16% increase in full-time equivalent employees from 1,454 at June 30, 2010.

Occupancy. Occupancy costs were $15.9 million for the second quarter of 2011, a 13% increase from $14.0 million for the second quarter of 2010, as we opened one new preferred banking office, began expensing rent on future preferred banking office locations and continued to expand our space in certain existing offices.

Information systems. Expenses for information systems were $14.2 million for the second quarter of 2011, compared to $12.3 million for the second quarter of 2010. The increase in information systems costs was due to continued technology initiatives to upgrade our systems and support our growth.

Advertising and marketing. Advertising and marketing expenses were $7.1 million for the second quarter of 2011, compared to $3.5 million for the second quarter of 2010. The increase in advertising and marketing costs during the quarter was the result of additional advertising and client events to support our growth.

Professional fees. Professional fees were $3.0 million for the second quarter of 2011, compared to $3.4 million for the second quarter of 2010.

FDIC and other deposit assessments. FDIC and other deposit assessments were $4.5 million for the second quarter of 2011, a 58% decrease from $10.7 million in the second quarter of 2010. The decrease in the second quarter of 2011 was due to the new FDIC guidelines regarding deposit assessments, which were effective April 1, 2011.

Amortization of intangibles. Amortization expense for the second quarter of 2011 was $5.8 million. During the second quarter of 2010, we did not record intangible amortization as Bank of America did not record any intangible assets for our business as part of applying push-down accounting.

Other expenses. Other expenses were $19.7 million for the second quarter of 2011, compared to $13.7 million for the second quarter of 2010. Expenses in this category primarily vary in proportion with transaction volume, the number of corporate locations and employees, and inflation.

Provision for Income Taxes

The effective tax rate for the second quarter of 2011 was 34.9% compared to 42.8% for the second quarter of 2010. The decrease in the effective tax rate was primarily due to the amount of tax-advantaged investments in tax-exempt securities, bank-owned life insurance and tax credit investments.

Results of Operations –
Six Months Ended June 30, 2011 Compared with Six Months Ended June 30, 2010

Overview

Net income was $173.6 million and $128.8 million for the six months ended June 30, 2011 and the six months ended June 30, 2010, respectively, an increase of $44.8 million, or 35%. Diluted EPS were $1.31 for the six months ended June 30, 2011. Excluding the impact of purchase accounting, net income was $108.7 million and 102.2 million for the six months ended June 30, 2011 and the six months ended June 30, 2010, respectively, an increase of $6.5 million, or 6%. Diluted EPS were $0.82 for the six months ended June 30, 2011. For a reconciliation of net income and diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $170.4 million and $128.7 million for the six months ended June 30, 2011 and the six months ended June 30, 2010, respectively, an increase of $41.7 million, or

32%. Net income for the Wealth Management segment was $3.2 million for the six months ended June 30, 2011, compared to $168,000 for the six months ended June 30, 2010.

Net Interest Income

Net interest income was $511.3 million for the six months ended June 30, 2011, an increase of $98.1 million, or 24%, compared with $413.2 million for the six months ended June 30, 2010. Included in net interest income are the effects of purchase accounting due to the Bank of America acquisition and the Transaction. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $119.5 million and $38.2 million during the six months ended June 30, 2011 and 2010, respectively.

Average interest-earning assets for the six months ended June 30, 2011 increased 20% compared with the six months ended June 30, 2010, and the average yield decreased 28 basis points. Average interest-bearing liabilities increased 16% and the average rate decreased 52 basis points compared with the six months ended June 30, 2010. The impact of these changes to the net interest margin for the six months ended June 30, 2011 was an increase of 25 basis points to 4.72%, compared with 4.47% for the six months ended June 30, 2010.

The contractual net interest margin was 3.54% and 3.90% for the six months ended June 30, 2011 and 2010, respectively. The decrease in our contractual net interest margin from the prior year was primarily the result of increased fixed-rate, term advances from the FHLB that were drawn to improve our asset/liability matching position and increased cash balances, which earn interest at overnight rates. Contractual net interest margin is a non-GAAP financial measure. For a reconciliation of contractual net interest margin to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

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 six months ended June 30, 2011 and 2010. 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 investment securities and certain loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

($ in thousands)	Successor Six Months Ended June 30, 2011 Average Balance	Interest	Yields/ Rates	Predecessor Six Months Ended June 30, 2010 Average Balance	Interest	Yields/ Rates
Assets:						
Cash equivalents	$ 1,952,824	$ 2,469	0.25%	$ 9,300	$ 32	0.69%
Parent company lending	-	-	-	534,963	4,830	1.80%
Securities purchased under agreements to resell	7,421	2	0.05%	-	-	-
Investment securities (1), (2)	1,408,535	27,876	6.00%	55,567	157	0.57%
Loans (2)	18,932,701	537,508	5.69%	18,024,928	503,819	5.64%
Total interest-earning assets	22,301,481	567,855	5.23%	18,624,758	508,838	5.51%
Noninterest-earning assets	1,311,318			978,225		
Total Assets	$ 23,612,799			$ 19,602,983		
Liabilities and Equity:						
Checking	$ 6,307,848	1,462	0.05%	$ 4,722,585	1,579	0.07%
Other liquid deposits	8,302,151	18,853	0.46%	6,873,501	26,714	0.78%
CDs	5,451,389	23,752	0.88%	5,962,190	62,046	2.10%
Total deposits	20,061,388	44,067	0.44%	17,558,276	90,339	1.04%
FHLB advances and other borrowings	937,229	11,341	2.44%	130,646	222	0.34%
Subordinated notes	67,706	1,151	3.40%	65,700	2,082	6.39%
Parent company borrowing	-	-	0.00%	346,312	2,956	1.70%
Total borrowings	1,004,935	12,492	2.50%	542,658	5,260	1.94%
Total interest-bearing liabilities	21,066,323	56,559	0.54%	18,100,934	95,599	1.06%
Noninterest-bearing liabilities	214,231			167,168		
Equity before noncontrolling interests	2,248,350			1,235,291		
Noncontrolling interests	83,895			99,590		
Total Liabilities and Equity	$ 23,612,799			$ 19,602,983		
Net interest spread (3)			4.69%			4.45%
Net interest income and net interest margin (4)		$ 511,296	4.72%		$ 413,239	4.47%
Adjusted net interest income and contractual net interest margin (non-GAAP) (5)		$ 391,821	3.54%		$ 375,069	3.90%

(1) Includes FHLB stock.

(2) In order to calculate the yield on tax-advantaged investment securities and loans on a tax-equivalent basis, reported interest income was increased by $14.3 million and $1.8 million in 2011, respectively.

(3) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.

(4) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

(5) For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Interest Income

Interest income on loans increased $33.7 million, or 7%, to $537.5 million for the six months ended June 30, 2011 from $503.8 million for the six months ended June 30, 2010. The accretion of loan discounts increased $49.4 million, or 131%, to $87.1 million for the six months ended June 30, 2011 from $37.7 million for the six months ended June 30, 2010. The first six months of 2010 includes interest income on the $2.1 billion of loans that BANA retained as part of the Transaction. Interest income earned on these loans was approximately $29.8 million during the six months ended June 30, 2010. Average loan balances were $18.9 billion for the six months ended June 30, 2011 and $18.0 billion for the six months ended June 30, 2010, an increase of 5%. The average yield on loans, including the accretion of loan discounts, increased 5 basis points to 5.69% for the six months ended June 30, 2011 from 5.64% for the six months ended June 30, 2010.

Interest income on investments increased $27.7 million to $27.9 million for the six months ended June 30, 2011 from $157,000 for the six months ended June 30, 2010. The increase is due to the purchases of new investments since the Transaction, as the average balance increased to $1.4 billion for the six months ended June 30, 2011, compared to $55.6 million for the six months ended June 30, 2010. While we were a division of BANA, we did not maintain a significant investment securities portfolio. The average yield on investment securities, calculated on a tax-equivalent basis, was 6.00% for the six months ended June 30, 2011 compared to 0.57% for the six months ended June 30, 2010.

Interest income on cash equivalents increased to $2.5 million for the six months ended June 30, 2011 from $32,000 for the six months ended June 30, 2010. The increase is due to increased cash balances as a result of the issuance of common stock on July 1, 2010 as part of the Transaction, deposit growth and new FHLB advances. The average yield on cash equivalents was 0.25% for the six months ended June 30, 2011, compared to 0.69% for the six months ended June 30, 2010.

Prior to July 1, 2010, interest on loans to Parent company was recognized at one-month LIBOR plus 1.50% based on the average lending during each month. Interest on loans to Parent company was $4.8 million for the six months ended June 30, 2010.

Interest Expense

Total interest expense for the six months ended June 30, 2011 decreased 41% to $56.6 million from $95.6 million for the six months ended June 30, 2010. This decline was the result of a 52 basis point decline in the average cost of liabilities to 0.54% for the six months ended June 30, 2011 from 1.06% for the six months ended June 30, 2010. Average interest-bearing liabilities increased by $3.0 billion, or 16%, to $21.1 billion for the six months ended June 30, 2011 from $18.1 billion for the six months ended June 30, 2010. 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 $32.4 million and $475,000 during the six months ended June 30, 2011 and 2010, respectively. The average contractual cost of total interest-bearing liabilities decreased as a result of the continuing decline in market rates of interest and an improved mix in our deposits with a decline in CDs.

Interest expense on deposits decreased $46.3 million, or 51%, to $44.1 million for the six months ended June 30, 2011 from $90.3 million for the six months ended June 30, 2010. Interest expense on deposits during the six months ended June 30, 2011 was reduced $31.1 million by the amortization of premiums on CDs. The average cost of deposits decreased 60 basis points to 0.44% for the six months ended June 30, 2011 from 1.04% for the six months ended June 30, 2010. Average deposit balances increased 14% to $20.1 billion for the six months ended June 30, 2011 from $17.6 billion for the six months ended June 30, 2010. The decline in the cost of deposits was due to lower rates paid on deposits as market rates have continued to decline and remain at very low levels, an improvement in our deposit mix and higher amortization of CD premiums.

Interest expense on FHLB advances increased $11.0 million to $11.2 million for the six months ended June 30, 2011, from $222,000 for the six months ended June 30, 2010. The increase was primarily due to an increase in average FHLB advances to $913.3 million for the six months ended June 30, 2011 compared to $130.5 million for the six months ended June 30, 2010. In addition, the average cost of FHLB advances increased 213 basis points to 2.47% for the six months ended June 30, 2011 compared to 0.34% for the six months ended June 30, 2010. The FHLB advances for the six months ended June 30, 2011 were fixed rate advances with generally longer maturities compared to the FHLB advances for the six months ended June 30, 2010, which were floating rate advances with shorter maturities.

Prior to July 1, 2010, interest expense on Parent company borrowings was recognized at one-month LIBOR plus 1.50% based on the average borrowing during each month. Interest on Parent company borrowings was $3.0 million for the six months ended June 30, 2010.

Interest expense on subordinated notes includes interest payments and amortization of purchase accounting premiums on our long-term, capital-related subordinated notes that bear fixed rates. The average cost of subordinated notes was 3.40% for the six months ended June 30, 2011 and 6.39% for the six months ended June 30, 2010.

Noninterest income

($ in thousands)	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Noninterest income:		
Investment advisory fees	$ 22,470	$ 16,442
Brokerage and investment fees	4,501	4,681
Trust fees	3,420	2,226
Deposit customer fees	7,413	7,236
Loan servicing fees, net	573	2,749
Loan and related fees	1,649	1,831
Gain on sale of loans	4,781	1,290
Income from investments in life insurance	7,822	1,388
Accretion of discount on loan commitments	1,220	8,220
Other income	4,414	3,395
Total noninterest income	$ 58,263	$ 49,458

Noninterest income for the six months ended June 30, 2011 increased $8.8 million, or 18%, to $58.3 million from $49.5 million for the six months ended June 30, 2010. The increase in noninterest income was primarily due to higher investment advisory fees, trust fees, gain on sale of loans and income from investments in life insurance. These increases were offset by lower accretion of discount on loan commitments and declines in net loan servicing fees.

Investment advisory fees. Investment advisory fees were $22.5 million for the six months ended June 30, 2011, a 37% increase from $16.4 million for the six months ended June 30, 2010. The increase was primarily due to an increase in assets under management as a result of the addition of new clients' assets and market appreciation.

*Brokerage and investment fees***.** Brokerage and investment fees were $4.5 million for the six months ended June 30, 2011, a 4% decrease from $4.7 million for the six months ended June 30, 2010. The decrease in brokerage fees was primarily due to lower commissions and the continued low fees earned on money market mutual funds.

Trust fees. Trust fees for the six months ended June 30, 2011 were $3.4 million, a 54% increase from $2.2 million for the six months ended June 30, 2010. The increase in trust fees is primarily due to the addition of new clients and an increase in assets under custody or administration.

Deposit customer fees. We earn fees from our clients for deposit services. Deposit customer fees were $7.4 million for the six months ended June 30, 2011, a 2% increase from $7.2 million for the six months ended June 30, 2010.

Loan servicing fees, net. Loan servicing fees, net of amortization expense and provisions for valuation allowance in 2011 and changes in fair value in 2010, were $573,000 for the six months ended June 30, 2011 compared to $2.7 million for the six months ended June 30, 2010. The decrease in net loan servicing fees for the six months ended June 30, 2011 was primarily due to amortization expense of $3.5 million and net impairment of $979,000 recorded on MSRs due to lower mortgage interest rates and higher prepayment speeds in the servicing portfolio. For the six months ended June 30, 2010, we recorded reductions in the fair value of MSRs of $2.3 million, which reduced loan servicing fees.

Contractual servicing fees were $5.0 million for the six months ended June 30, 2011, a 1% decrease from $5.1 million for the six months ended June 30, 2010.

Loan and related fees. Loan and related fee income was $1.6 million for the six months ended June 30, 2011, a 10% decrease from $1.8 million for the six months ended June 30, 2010.

Gain on sale of loans. The net gain on the sale of $505.0 million of loans was $4.8 million, or approximately 95 basis points on the loans sold for the six months ended June 30, 2011. In comparison, the net gain on sale of loans was $1.3 million on loan sales of $141.8 million, or 91 basis points on loans sold for the six months ended June 30, 2010. The net gain on sales of loans during 2011 includes $3.8 million of purchase accounting discounts established on such loans.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $7.8 million for the six months ended June 30, 2011, compared to $1.4 million for the six months ended June 30, 2010. The increase in 2011 resulted from an increase in the balance of life insurance investments as we purchased $385 million of bank-owned life insurance from multiple carriers during the second half of 2010 and $32.8 million in the first half of 2011. In March 2010, BANA retained a majority of the previously owned bank-owned life insurance as part of the Transaction.

Accretion of discount on loan commitments. Accretion of discount on loan commitments was $1.2 million for the six months ended June 30, 2011, compared to $8.2 million for the six months ended June 30, 2010. The decrease in accretion was primarily due to establishing new discounts as part of the Transaction, which were lower than those established in the Bank of America acquisition.

Other income. Other income primarily includes fees we earn from transacting foreign exchange business on behalf of our customers. Foreign exchange fee income was $4.2 million for the six months ended June 30, 2011, a 59% increase from $2.7 million for the six months ended June 30, 2010. The increase was primarily due to the addition of new clients and an increased volume of activity. In addition, the six months ended June 30, 2011 included a loss of $514,000, representing ineffectiveness on the Bank's deposit hedging relationships.

Noninterest expense

($ in thousands)	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Noninterest expense:		
Salaries and related benefits	$ 132,954	$ 112,196
Occupancy	31,926	29,404
Information systems	26,725	19,124
Advertising and marketing	13,362	6,610
Professional fees	7,443	5,673
FDIC and other deposit assessments	13,197	19,159
Amortization of intangibles	11,677	-
Other expenses	36,534	24,798
Total noninterest expense	$ 273,818	$ 216,964

Noninterest expense increased by $56.9 million, or 26%, to $273.8 million for the six months ended June 30, 2011 from $217.0 million for the six months ended June 30, 2010. The increase in noninterest expense was primarily due to higher salaries and benefits, occupancy, information systems costs, advertising and marketing and other expenses, partially offset by lower FDIC and other deposit assessments. In addition, we recorded $11.7 million of amortization of intangible assets resulting from the Transaction during the six months ended June 30, 2011, compared to no such costs for the six months ended June 30, 2010.

Our efficiency ratio, the ratio of noninterest expenses to the sum of net interest income and noninterest income, was 48.1% for the six months ended June 30, 2011, compared with 46.9% for the six months ended June 30, 2010. Excluding the impacts of purchase accounting, the adjusted efficiency ratio was 58.9% and 52.1% for the six months ended June 30, 2011 and 2010, respectively. For a reconciliation of the efficiency ratio to its equivalent ratio under GAAP, see "—Use of Non-GAAP Financial Measures."

Salaries and related benefits. Salaries and related benefit expenses were $133.0 million for the six months ended June 30, 2011, a 19% increase from $112.2 million for the six months ended June 30, 2010. The increase was primarily the result of new personnel to support higher levels of total assets, loan origination and deposit growth and wealth management activities, and higher incentive compensation related to continued expansion of our franchise.

Occupancy. Occupancy costs were $31.9 million for the six months ended June 30, 2011, a 9% increase from $29.4 million for the six months ended June 30, 2010, as we opened one new preferred banking office, began expensing rent on future preferred banking office locations and continued to expand our space in certain existing offices.

Information systems. Expenses for information systems were $26.7 million for the six months ended June 30, 2011, a 40% increase from $19.1 million for the six months ended June 30, 2010. The increase in information systems costs was due to continued technology initiatives to upgrade our systems and support our growth.

Advertising and marketing. Advertising and marketing expenses were $13.4 million for the six months ended June 30, 2011, compared to $6.6 million for the six months ended June 30, 2010. The increase in advertising and marketing costs during the quarter was the result of additional advertising and client events to support our growth.

Professional fees. Professional fees were $7.4 million for the six months ended June 30, 2011, a 31% increase from $5.7 million for the six months ended June 30, 2010. We incurred higher professional fees to comply with the corporate governance and financial reporting requirements of being an independent and now public company. In addition, we have outsourced loan review and a portion of some internal audit functions.

FDIC and other deposit assessments. FDIC and other deposit assessments were $13.2 million for the six months ended June 30, 2011, a 31% decrease from $19.2 million for the six months ended June 30, 2010. The decrease in 2011 was due to the new FDIC guidelines regarding deposit assessments, which were effective April 1, 2011.

Amortization of intangibles. Amortization expense for the six months ended June 30, 2011 was $11.7 million. During the six months ended June 30, 2010, we did not record intangible amortization as Bank of America did not record any intangible assets for our business as part of applying push-down accounting.

Other expenses. Other expenses were $36.5 million for the six months ended June 30, 2011, a 47% increase from $24.8 million for the six months ended June 30, 2010. Expenses in this category primarily vary in proportion with transaction volume, the number of corporate locations and employees, and inflation.

Provision for Income Taxes

The effective tax rate for the six months ended June 30, 2011 was 36.0% compared to 42.5% for the six months ended June 30, 2010. The decrease in the effective tax rate in 2011 is primarily due to the amount of tax-advantaged investments in tax-exempt securities, bank-owned life insurance and tax credit investments.

Business Segments

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

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

Our Wealth Management segment consists of FRIM and FRWA (prior to its merger into FRIM during the third quarter of 2010), our money market mutual fund activities and the brokerage activities of FRSC (these two activities collectively, “Investment and Brokerage”), as well as the operations of First Republic Trust Company and our foreign exchange activities. The Wealth Management segment's primary sources of revenue are fees earned for the management or administration of clients' assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for 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.

The following tables present the operating results of our two reportable segments, as well as reconciling items, for the periods indicated. For complete segment information, see Note 9 to "Item 1. Financial Statements."

	Successor			
	Three Months Ended June 30, 2011			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 251,268	$ 5,534	$ -	$ 256,802
Provision for loan losses	13,026	-	-	13,026
Noninterest income	9,065	19,189	(1,057)	27,197
Amortization of intangibles	3,980	1,780	-	5,760
Other noninterest expense	114,549	19,577	(1,057)	133,069
Income before provision for income taxes	128,778	3,366	-	132,144
Provision for income taxes	44,677	1,465	-	46,142
Net income before noncontrolling interests	84,101	1,901	-	86,002
Less: Net income from noncontrolling interests	1,170	-	-	1,170
Net Income	$ 82,931	$ 1,901	$ -	$ 84,832

	Predecessor			
	Three Months Ended June 30, 2010			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 195,435	$ 2,718	$ -	$ 198,153
Provision for loan losses	1,182	-	-	1,182
Noninterest income	11,266	14,196	(321)	25,141
Noninterest expense	96,840	17,593	(321)	114,112
Income (loss) before provision for income taxes	108,679	(679)	-	108,000
Provision (benefit) for income taxes	46,544	(289)	-	46,255
Net income (loss) before noncontrolling interests	62,135	(390)	-	61,745
Less: Net income from noncontrolling interests	1,198	-	-	1,198
Net Income (Loss)	$ 60,937	$ (390)	$ -	$ 60,547

($ in thousands)	Successor Six Months Ended June 30, 2011 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 501,070	$ 10,226	$ -	$ 511,296
Provision for loan losses	20,639	-	-	20,639
Noninterest income	23,067	37,277	(2,081)	58,263
Amortization of intangibles	8,069	3,608	-	11,677
Other noninterest expense	226,020	38,202	(2,081)	262,141
Income before provision for income taxes	269,409	5,693	-	275,102
Provision for income taxes	96,554	2,483	-	99,037
Net income before noncontrolling interests	172,855	3,210	-	176,065
Less: Net income from noncontrolling interests	2,461	-	-	2,461
Net Income	$ 170,394	$ 3,210	$ -	$ 173,604

($ in thousands)	Predecessor Six Months Ended June 30, 2010 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 407,924	$ 5,315	$ -	$ 413,239
Provision for loan losses	17,352	-	-	17,352
Noninterest income	22,727	27,360	(629)	49,458
Noninterest expense	185,210	32,383	(629)	216,964
Income before provision for income taxes	228,089	292	-	228,381
Provision for income taxes	97,014	124	-	97,138
Net income before noncontrolling interests	131,075	168	-	131,243
Less: Net income from noncontrolling interests	2,396	-	-	2,396
Net Income	$ 128,679	$ 168	$ -	$ 128,847

Commercial Banking

Net interest income for Commercial Banking was $501.1 million for the six months ended June 30, 2011, a 23% increase from $407.9 million for the six months ended June 30, 2010. The increase in net interest income for the six months ended June 30, 2011 is primarily due to higher loan discount accretion and an increase in interest-earning assets. The six months ended June 30, 2010 includes a cumulative adjustment to reduce accretion of loan discounts on single family mortgage loans and HELOCs by approximately $72.8 million.

Noninterest income for Commercial Banking was $23.1 million for the six months ended June 30, 2011, a 1% increase from $22.7 million for the six months ended June 30, 2010. The increase in noninterest income for the six months ended June 30, 2011 is due to increased gain on sale of loans and higher income from investments in life insurance, partially offset by a decrease in accretion of discount on loan commitments.

Noninterest expense for Commercial Banking was $234.1 million for the six months ended June 30, 2011, a 26% increase from $185.2 million for the six months ended June 30, 2010. The increase is primarily due to increased salaries and benefits, higher information systems expenses, advertising and marketing and amortization of intangible assets.

Wealth Management

Net interest income for Wealth Management was $10.2 million for the six months ended June 30, 2011 compared to $5.3 million for the six months ended June 30, 2010. The increase is primarily due to increased sweep deposits from Wealth Management clients that are deposited with the Bank in which Wealth Management earns a deposit earnings credit. These sweep deposits totaled $1.2 billion and $648.1 million at June 30, 2011 and 2010, respectively.

Noninterest income for Wealth Management was $37.3 million for the six months ended June 30, 2011, a 36% increase from $27.4 million for the six months ended June 30, 2010. The growth in Wealth Management noninterest income in 2011 has resulted from increased assets under management from the hiring of additional professionals, the continued addition of new clients and market value appreciation.

Noninterest expense for Wealth Management was $41.8 million for the six months ended June 30, 2011, a 29% increase from $32.4 million for the six months ended June 30, 2010. The increase in noninterest expense in Wealth Management was due to the continued addition of wealth management professionals as we continued to expand our client base capabilities in all markets and to grow this segment. In addition, amortization of intangibles for the six months ended June 30, 2011 was $3.6 million for intangibles established on July 1, 2010. For the six months ended June 30, 2010, Wealth Management did not have any intangible asset amortization as no such intangible assets were pushed down in the purchase accounting adjustments made by Bank of America. 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 on a quarterly basis. The operating margin represents income before the amortization of intangible assets and provision for taxes divided by total revenues (net interest income and noninterest income). The operating margin for Wealth Management was 19.6% for the six months ended June 30, 2011, compared to 0.9% for the six months ended June 30, 2010. The increase in the operating margin is due to growth in revenues from the addition of new client accounts and the increase in the market value of assets managed.

Assets under management or administration in the Wealth Management segment, in aggregate, increased 34% compared with a year ago. The following table presents the assets under management or administration by the entities comprising the Wealth Management segment at the end of each of the last five quarterly periods. The assets under management for FRIM for the quarters ended June 30, 2010 and September 30, 2010 include those assets managed by FRWA, which merged into FRIM on September 30, 2010. Assets under management for all periods have been adjusted to eliminate account balances that are swept into Bank deposits.

	Successor				Predecessor
($ in millions)	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
First Republic Investment Management	$ 7,879	$ 7,417	$ 6,516	$ 5,743	$ 5,320
Brokerage and Investment:					
Brokerage	6,862	6,528	5,573	4,882	4,437
Money Market Mutual Funds	646	776	904	1,309	1,086
Total Brokerage and Investment	7,508	7,304	6,477	6,191	5,523
Trust Company:					
Trust	1,898	1,867	1,504	1,478	1,466
Custody	2,351	2,319	2,333	2,748	2,386
Total Trust Company	4,249	4,186	3,837	4,226	3,852
Total	$ 19,636	$ 18,907	$ 16,830	$ 16,160	$ 14,695

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through FRIM, and, prior to its merger, FRWA. We merged FRWA with FRIM during the third quarter of 2010 to obtain operational and branding efficiencies. We earn fee income from the management of equity and fixed income 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 for the six months ended June 30, 2011 were $22.5 million, an increase of $6.0 million, or 37%, compared with $16.4 million earned for the six months ended June 30, 2010. The increase was primarily due to increases in average assets under management as a result of the addition of new clients and market appreciation. Assets under management were $7.9 billion at June 30, 2011 compared to $5.3 billion at June 30, 2010, an increase of 48%.

Investment and Brokerage Activities. We perform investment and brokerage activities for clients. We employ specialists to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquidity investments at the request of clients or their financial advisors. These specialists can also execute transactions for a full array of longer-term equity and fixed income securities. At June 30, 2011, we held approximately $7.5 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $5.5 billion at June 30, 2010, an increase of 36%. Total fees earned for these services were $4.5 million for the six months ended June 30, 2011, compared with $4.7 million for the six months ended June 30, 2010. The decrease in fees was primarily due to lower commissions and the continued low fees earned on money market mutual funds.

Trust Company. First Republic Trust Company operates in California, Nevada, Oregon and New York and specializes in personal trusts and custody accounts. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Total trust fees earned were $3.4 million for the six months ended June 30, 2011, compared with $2.2 million for the six months ended June 30, 2010. The increase in fees is due to the addition of new clients and an increase in assets managed or administered. At June 30, 2011, assets under management or administration were $4.2 billion, compared to $3.9 billion at June 30, 2010, an increase of 10%.

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

	Successor				Predecessor
	Three Months Ended				Three Months Ended
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
First Republic Investment Management	0.62%	0.61%	0.60%	0.60%	0.62%
Brokerage and Investment:					
Brokerage	0.12%	0.13%	0.20%	0.14%	0.22%
Money Market Mutual Funds	0.11%	0.14%	0.14%	0.16%	0.13%
Total Brokerage and Investment	0.12%	0.14%	0.19%	0.15%	0.20%
Trust Company:					
Trust	0.21%	0.26%	0.32%	0.17%	0.12%
Custody	0.12%	0.11%	0.09%	0.10%	0.10%
Total Trust Company	0.16%	0.17%	0.17%	0.12%	0.11%
Total Wealth Management	0.33%	0.33%	0.34%	0.30%	0.33%

Balance Sheet Analysis

Investments

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

	Successor			
($ in thousands)	June 30, 2011	March 31, 2011	December 31, 2010	July 1, 2010
Available-for-sale:				
U.S. Treasury and federal agencies	$ 100,495	$ 14,993	$ 46,000	$ -
Residential agency mortgage-backed securities ("MBS")	194,676	40,210	29,602	-
Residential non-agency MBS	30,827	30,714	-	-
Commercial MBS	237,010	21,986	-	-
Total	$ 563,008	$ 107,903	$ 75,602	$ -
Held-to-maturity:				
U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 1,141,916	$ 842,899	$ 748,007	$ -
Tax-exempt nonprofit debentures	231,710	231,981	232,197	-
Taxable municipal securities	53,281	53,289	33,239	-
Residential non-agency MBS	3,748	3,088	3,959	3,562
Total	$ 1,430,655	$ 1,131,257	$ 1,017,402	$ 3,562

We began purchasing additional investment securities during the third quarter 2010 after completion of the Transaction. The tax-exempt and taxable municipal securities have an average credit rating of AA and the portfolio is well diversified with an average issuer position of approximately $4.8 million. The tax-exempt nonprofit debentures are securities issued through a state agency where we have a banking relationship with the nonprofit entity. These securities are reviewed, approved and monitored by our business banking group similar to business loans.

Loan Portfolio

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

	Successor			
($ in millions)	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**July 1, 2010**
Unpaid principal balance:				
Single family (1-4 units)	$ 12,124	$ 11,549	$ 11,494	$ 10,904
Home equity lines of credit	1,781	1,715	1,756	1,719
Commercial real estate	2,313	2,261	2,175	2,076
Multifamily (5+ units)	2,121	2,028	1,993	1,830
Single family construction	183	175	168	182
Multifamily/commercial construction	86	91	115	163
Total real estate mortgages	18,608	17,819	17,701	16,874
Commercial business loans	1,286	1,206	1,221	846
Other secured	151	158	167	180
Unsecured loans and lines of credit	146	120	114	102
Stock secured	82	35	25	25
Total other loans	1,665	1,519	1,527	1,153
Total unpaid principal balance	20,273	19,338	19,228	18,027
Net unaccreted discount	(590)	(631)	(678)	(763)
Net deferred fees and costs	5	3	1	-
Carrying value	19,688	18,710	18,551	17,264
Allowance for loan losses	(38)	(26)	(19)	-
Loans, net	19,650	18,684	18,532	17,264
Single family loans held for sale	59	167	51	28
Total	$ 19,709	$ 18,851	$ 18,583	$ 17,292

The following table separates our loan portfolio as of June 30, 2011 between loans acquired as part of the Transaction on July 1, 2010 and loans originated since July 1, 2010:

	Composition of Loan Portfolio		
($ in millions)	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans at June 30, 2011
Single family (1-4 units)	$ 8,480	$ 3,644	$ 12,124
Home equity lines of credit	1,452	329	1,781
Commercial real estate	1,856	457	2,313
Multifamily (5+ units)	1,546	575	2,121
Single family construction	103	80	183
Multifamily/commercial construction	52	34	86
Commercial business loans	644	642	1,286
Other secured	128	23	151
Unsecured loans and lines of credit	74	72	146
Stock secured	16	66	82
Total unpaid principal balance	14,351	5,922	20,273
Net unaccreted discount	(589)	(1)	(590)
Net deferred fees and costs	(4)	9	5
Allowance for loan losses	(5)	(33)	(38)
Loans, net	$ 13,753	$ 5,897	$ 19,650

The following table presents an analysis of the unpaid principal balance of our loan portfolio at June 30, 2011, 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 and HELOCs	$ 6,538	$ 2,995	$ 2,000	$ 807	$ 442	$ 248	$ 934	$ 13,964	69%
Commercial real estate	1,484	98	301	23	130	71	206	2,313	12%
Multifamily	1,544	103	139	13	204	27	91	2,121	10%
Commercial business	700	263	116	67	41	8	91	1,286	6%
Construction	107	27	84	6	23	3	19	269	1%
Stock and other secured	114	46	24	17	-	1	31	233	1%
Unsecured	61	40	16	14	1	-	14	146	1%
Total	$ 10,548	$ 3,572	$ 2,680	$ 947	$ 841	$ 358	$ 1,386	$ 20,332	100%
% by location	52%	17%	13%	5%	4%	2%	7%	100%	

At June 30, 2011 and December 31, 2010, approximately 66% of 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 have offered loan products with an initial period of interest-only payments for many years. Underwriting standards for all loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. Approximately $10.5 billion of loans as of June 30, 2011, or 86% of our single family loan portfolio (based on unpaid principal balances), allowed interest-only payments for varying initial periods generally ranging between three and ten years, compared to $10.3 billion, or 90% of our single family loan portfolio at December 31, 2010. At June 30, 2011, these interest-only loans had an average loan-to-value ("LTV") ratio of approximately 59%, based on appraised value at the time of origination and had credit scores averaging 754 at origination. Less than 1% of such home loans had an LTV ratio at origination of more than 80%.

We do not originate single family loans with the characteristics 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 income documentation. Over the past two years, the loans originated by us had a weighted average credit score of 762, and all of our home loans were underwritten using full documentation.

We do not currently originate single family home loans containing provisions for the negative amortization of principal; however, a very limited amount of such loans exist in our loan portfolio. At June 30, 2011, loans with the potential for negative amortization based on contractual balances were only $10.5 million, or 0.05% of the total loan portfolio, compared to $11.2 million, or 0.06% of the total loan portfolio at December 31, 2010. None of our loans had increases in principal balance and there was no interest that has been added to the principal of such negative amortization loans at June 30, 2011 or December 31, 2010.

HELOCs. Our single family HELOC product requires the payment of interest each month on the outstanding balance. During the first 10 years of the loan term, principal amounts may be repaid or drawn at the borrower's option. We underwrite HELOCs to 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.

Multifamily. At June 30, 2011 and December 31, 2010, the unpaid principal balance of multifamily loans was $2.1 billion and $2.0 billion, respectively. At June 30, 2011 and December 31, 2010, included in this portfolio were $541.9 million and $496.0 million, respectively, of loans for which interest-only payments may be made for a period of up to 10 years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2011, for multifamily loans that allow for interest-only payments, the average LTV ratio was 61% based on the appraised value at the time of origination. Additionally, at June 30, 2011 and December 31, 2010, we had committed to lend $89.6 million and $112.1 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance under such commitments at June 30, 2011 and December 31, 2010 was $45.7 million and $70.0 million, respectively, representing 2% of the portfolio at June 30, 2011 and 4% of the portfolio at December 31, 2010; these lines of credit allow for interest-only payments for an initial period.

Commercial Real Estate. At June 30, 2011 and December 31, 2010, the unpaid principal balance of commercial real estate loans was $2.3 billion and $2.2 billion, respectively. At June 30, 2011 and December 31, 2010, included in this portfolio were $464.3 million and $420.6 million, respectively, of loans for which interest-only payments may be made for a period of up to 10 years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2011, for commercial real estate loans that allow for interest-only payments, the average LTV ratio was 57% based on the appraised value at the time of origination. Additionally, at June 30, 2011 and December 31, 2010, we had committed to lend $188.5 million and $166.3 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance under such commitments at June 30, 2011 and December 31, 2010 was $83.9 million and $75.9 million, respectively, representing 4% of the portfolio at June 30, 2011 and 3% of the portfolio at December 31, 2010; these lines of credit allow for interest-only payments for an initial period.

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. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through June 30, 2011, we have originated approximately $68.3 billion of loans, of which approximately $15.1 billion have been sold to investors.

Total loan originations were $2.4 billion for the second quarter of 2011, compared with $1.9 billion for the first quarter of 2011 and $1.4 billion for the second quarter of 2010. 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 fairly close proximity to one of our offices. The following table presents loan originations, by product type, for each of the past five quarters:

	Successor				Predecessor
	Three Months Ended				Three Months Ended
($ in thousands)	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Single family	$ 1,214,592	$ 1,008,427	$ 1,273,700	$ 1,081,138	$ 956,991
HELOCs	162,864	161,435	168,221	172,584	128,320
Multifamily/commercial real estate	337,794	271,747	304,917	159,212	128,663
Commercial business loans	525,899	275,598	392,587	296,947	86,194
Construction	88,509	78,243	95,771	54,964	50,035
Other loans	113,501	59,770	47,566	70,728	34,203
Total loans originated	$ 2,443,159	$ 1,855,220	$ 2,282,762	$ 1,835,573	$ 1,384,406

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

	Successor				Predecessor
	Three Months Ended				Three Months Ended
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Purchase Loans	50%	30%	28%	34%	50%
Refinance Loans	50%	70%	72%	66%	50%
Total	100%	100%	100%	100%	100%

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans and certain larger single family loans require two appraisals. 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 75% LTV ratios for multifamily loans and 70% LTV ratios for commercial real estate loans. At June 30, 2011, the approximate weighted average LTV ratios on loans at origination were 59% on single family loans, 59% on multifamily loans, 56% on commercial real estate loans and 58% on construction loans. These original LTVs change over time as property values fluctuate.

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, and, in recent years, our loans sales have declined. We have retained in our loan portfolio both adjustable rate mortgages ("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 more than 90 days 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 collectability improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive monthly payments.

Our collection practices are highly focused with respect to both our portfolio loans and loans serviced for others. We have practices 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 practices comply with all applicable laws and regulations. We currently have a low level of foreclosures and have not needed to suspend any of our foreclosure activities.

The following table presents the dollar amount of nonaccrual loans, other real estate owned, restructured performing loans and accruing single family loans over 90 days past due, as well as the ratio of nonperforming assets to total assets, at the dates indicated:

	Successor		
($ in thousands)	June 30, 2011	March 31, 2011	December 31, 2010
Nonaccrual loans			
Single family mortgages	$ 19,425	$ 15,699	$ 7,555
HELOCs	563	267	-
Commercial real estate	1,886	794	4,659
Multifamily	3,332	2,671	2,732
Multifamily/commercial construction	-	-	1,782
Commercial business	1,383	1,395	1,361
Other	151	173	254
Total nonaccrual loans	26,740	20,999	18,343
Other real estate owned	2,954	1,928	625
Total nonperforming assets	$ 29,694	$ 22,927	$ 18,968
Percent of total assets:			
Nonperforming assets	0.12%	0.10%	0.08%
Restructured performing loans	$ 5,159	$ 5,162	$ 1,669
Accruing loans 90 days or more past due	$ -	$ 1,517	$ -

At June 30, 2011, our nonperforming assets were approximately 0.12% of total assets, compared to 0.08% at December 31, 2010. Approximately $16.4 million of the nonaccrual loans were current with respect to their payment terms at June 30, 2011, compared to $11.3 million at December 31, 2010.

From time to time, a single family loan becomes delinquent. However, we do not classify a single family loan over 90 days past due as a nonaccrual loan if the loan is well-secured and in the process of collection and we do not expect to lose any principal or interest. We had zero accruing single family loans that had payments over 90 days past due at June 30, 2011 and December 31, 2010, respectively.

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 maintained at a level estimated by management to be appropriate to provide for losses that can be reasonably anticipated based upon specific conditions at the time, including past loss experience, the results of our ongoing loan 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. Actual losses in any year may exceed allowance amounts.

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

($ in thousands)	Successor At or for the Three Months Ended June 30, 2011	Predecessor At or for the Three Months Ended June 30, 2010	Successor At or for the Six Months Ended June 30, 2011	Predecessor At or for the Six Months Ended June 30, 2010
Allowance for loan losses:				
Balance at beginning of period	$ 25,908	$ 51,709	$ 18,809	$ 45,003
Provision	13,026	1,182	20,639	17,352
Transfer to BANA [1]	-	(39,164)	-	(39,164)
Charge-offs:				
Single family	(476)	-	(476)	-
HELOCs	(225)	-	(225)	-
Commercial real estate	-	-	-	(4,798)
Multifamily	-	-	-	(748)
Commercial business	(7)	-	(483)	(3,747)
Other loans	(26)	-	(64)	(544)
Total charge-offs	(734)	-	(1,248)	(9,837)
Recoveries:				
Single family	-	-	-	62
Commercial real estate	-	15	-	102
Commercial business	-	18	-	135
Other loans	-	35	-	142
Total recoveries	-	68	-	441
Net loan (charge-offs) recoveries	(734)	68	(1,248)	(9,396)
Balance at end of period	$ 38,200	$ 13,795	$ 38,200	$ 13,795
Average total loans for the period	$ 19,086,944	$ 17,380,059	$ 18,857,877	$ 18,008,755
Total loans at period end	$ 19,688,269	$ 17,353,819	$ 19,688,269	$ 17,353,819
Ratios:				
Net charge-offs (recoveries) to:				
Average total loans (annualized)	0.02%	0.00%	0.01%	0.11%
Allowance for loan losses to:				
Total loans	0.19%	0.08%	0.19%	0.08%
Nonaccruing loans	142.9%	78.8%	142.9%	78.8%

[1] The allowance for loan losses related to the loans transferred to BANA in April 2010 in connection with the Transaction.

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, including past loss experience, our underwriting process, the results of our ongoing loan grading process, the amount of past due and nonperforming loans, legal requirements, trends within the banking industry, industry data for loan products in which we have limited experience, current economic conditions, and other factors. The amount of the allowance is also affected by the size and composition of the loan portfolio. Based on this assessment, the allowance is adjusted each quarter. The allowance reflects management's best estimate of the losses that are inherent in the loan portfolio at the balance sheet date.

At June 30, 2011, $33.0 million of the allowance for loan losses relates to the new loans originated since July 1, 2010 and represented 0.56% of such loans outstanding. As a result of purchase accounting adjustments recorded on July 1, 2010 and January 1, 2009, our allowance for loan losses was reduced to zero in accordance with ASC 805, "Business Combinations." During 2011 and 2010, we reduced loan discounts for charge-offs of contractual amounts outstanding, which are not included in the allowance for loan losses rollforward above. The following table presents net loan charge-offs recorded against the allowance for loan losses and loan discounts and the related percentage of net loan charge-offs to average loans (annualized) for the periods indicated. We believe that our charge-off ratio continues to be well below the national average for U.S. banks.

	Successor Three Months Ended June 30, 2011		Predecessor Three Months Ended June 30, 2010		Successor Six Months Ended June 30, 2011		Predecessor Six Months Ended June 30, 2010	
($ in thousands)	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount
Net loan charge-offs (recoveries) to:								
Allowance for loan losses	0.02%	$ 734	0.00%	$ (68)	0.01%	$ 1,248	0.11%	$ 9,396
Loan discounts	0.01%	585	0.02%	937	0.02%	1,834	0.05%	4,732
Total	0.03%	$ 1,319	0.02%	$ 869	0.03%	$ 3,082	0.16%	$ 14,128

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

The total unpaid principal balance of loans that were in the scope of ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," was $257.7 million and $298.6 million at June 30, 2011 and December 31, 2010, respectively, with a carrying value of $225.8 million and $263.7 million at June 30, 2011 and December 31, 2010, respectively.

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. A historical focus of our loan sales activities has been to enter into formal commitments and informal agreements with institutional investors. Under these arrangements, 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. For the six months ended June 30, 2011, loan sales were $505.0 million and the net gain on sale was $4.8 million, or 0.95% of loans sold. In comparison, loan sales for the six months ended June 30, 2010 were $141.8 million and the net gain on sale was $1.3 million, or 0.91% of loans sold. The net gains on sales of loans during the six months ended June 30, 2011 included $3.8 million of purchase accounting discounts established on such loans. 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.

We retain MSRs on substantially all loans that we sell to institutional investors and governmental agencies. We service loans to provide continuous direct client service and to generate recurring fee income. Mortgage loans serviced for investors were $3.9 billion at June 30, 2011 and $3.8 billion at December 31, 2010. Approximately 95% and 94% of our loans serviced for investors are secured by single family residences at June 30, 2011 and December 31, 2010, respectively.

MSRs are recognized as separate assets on our balance sheet. Beginning on July 1, 2010, we elected to account for MSRs at amortized cost. During the first six months of 2010, we recorded MSRs at estimated fair value with changes in the fair value recognized in the income statement. At June 30, 2011, MSRs were $21.7 million (56 basis points of loans serviced) compared with $21.6 million (57 basis points of loans serviced) at December 31, 2010.

If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release our 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. The annualized repayment rate of total loans serviced was approximately 16% for the second quarter of 2011, 22% for the first quarter of 2011 and 17% for the second quarter of 2010.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market or passbook accounts and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. We advertise in newspapers to attract deposits and perform a limited direct telephone solicitation of potential institutional depositors such as credit unions, small commercial banks and pension plans. At June 30, 2011 and December 31, 2010, our total deposits were $19.9 billion and $19.2 billion, respectively. Core deposits, which include checking accounts, money market accounts, savings accounts and certificates of deposit (excluding certificates of deposit greater than $250,000 and all brokered deposits), provide a stable source of low cost funding. Core deposits totaled $18.4 billion and $17.5 billion at June 30, 2011 and December 31, 2010, respectively, and represented 92% and 91% of total deposits at June 30, 2011 and December 31, 2010, respectively.

Deposits increased 4% at June 30, 2011 compared to December 31, 2010 primarily due to new clients, effective cross-selling of services to existing clients among the Bank and its subsidiaries and a steady increase in client referrals. The deposit growth has occurred in most regions of our deposit operations. The following table presents deposits by region at the dates indicated. Our retail locations that gather deposits are designated as "Preferred Banking offices."

	Successor			
($ in thousands)	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**July 1, 2010**
Preferred Banking office deposits				
Northern California	$ 5,739,815	$ 5,920,416	$ 5,760,360	$ 5,648,470
Southern California	1,580,310	1,696,156	1,674,821	1,700,746
Metropolitan New York	1,148,825	1,129,489	1,157,194	1,097,019
Boston	253,759	249,261	244,433	233,762
Subtotal	8,722,709	8,995,322	8,836,808	8,679,997
Preferred Banking deposits				
Northern California	3,141,092	3,128,039	3,235,575	2,747,039
Metropolitan New York	2,363,257	2,433,212	2,131,174	2,006,531
Southern California	1,753,814	1,652,696	1,565,735	1,468,976
Boston	1,429,867	1,330,949	1,223,679	1,082,855
Subtotal	8,688,030	8,544,896	8,156,163	7,305,401
Wealth management	1,600,992	1,457,349	1,160,278	728,071
Other deposits	928,117	1,030,959	1,082,500	1,202,557
Total deposits	$ 19,939,848	$ 20,028,526	$ 19,235,749	$ 17,916,026

Overall deposits in our Preferred Banking offices grew less than 1% since July 1, 2010. However, liquid deposits in our Preferred Banking offices have increased 20% since July 1, 2010 allowing us to follow a strategy of intentionally reducing CDs. Average deposits in Preferred Banking offices which have been open for more than two years grew 8% since July 1, 2010. This deposit growth has resulted from 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 19% since July 1, 2010. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or who enter into deposit relationships directly with a relationship manager or preferred banker.

Wealth management deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank or deposits associated primarily with wealth management clients. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

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 June 30, 2011 and December 31, 2010, our CDs greater than $250,000 totaled $1.5 billion and $1.7 billion, respectively. In addition, our CDs of $100,000 or more totaled $3.5 billion and $4.1 billion at June 30, 2011 and December 31, 2010, respectively.

We have acquired term CDs from a source that was deemed to be a broker. The total amount of these deposits was approximately $228.5 million and $319.5 million at June 30, 2011 and December 31, 2010, respectively. We no longer acquire deposits from this source.

Other Funding

At June 30, 2011 and December 31, 2010, we had outstanding FHLB advances of $1.1 billion and $600.0 million, respectively. The weighted average cost of these advances is 2.34% at June 30, 2011 with a weighted average remaining maturity of 4.5 years. Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at June 30, 2011 is $7.0 billion and $475.9 million, respectively. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk Management."

Liquidity

Liquidity refers to our ability to maintain cash flow that is adequate to fund operations and meet present and future financial obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management. We invest a portion of our assets in investment securities, including U.S. Government agency, municipal securities and mortgage-backed instruments. At June 30, 2011, the investment securities portfolio of $2.0 billion and cash and cash equivalents of $790.8 million amounted to 12% of total assets. In addition, we have $7.0 billion of available unused FHLB advances supported by already pledged loans and $475.9 million of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged securities. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

Our loan portfolio is repayable in monthly installments over terms ranging primarily from six months to thirty years; however, market experience is that many longer-term real estate mortgage loans and investments are likely to prepay prior to their final maturity. Our deposits generally mature over shorter periods than our assets, requiring us to renew deposits or incur new liabilities at current interest rates. As part of our long-term strategy, we have more flexibility in setting rates to obtain deposits and other liabilities if a portion of our interest-earning assets have interest rates that adjust frequently. Our FHLB advances have longer-term maturities and carry fixed rates of interest for their terms.

During the six months ended June 30, 2011, we originated $4.3 billion of loans, which were funded by loan repayments of $2.8 billion, the sale of $505.0 million of loans, a net increase in deposits of $704.1 million and an increase in FHLB advances of $500.0 million.

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, using real estate mortgage investment conduits ("REMICs"). 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. The loans sold are performing loans and meet all underwriting standards as generally required by us and the secondary market. We have not sold any nonperforming or delinquent loans.

In connection with loan sales, we retain substantially all the loan servicing in order to maintain the primary contact with our clients. 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.

Capital Resources

At June 30, 2011, our total equity was $2.4 billion, which included $2.3 billion of common stockholders' equity and $77.3 million of perpetual, exchangeable, noncumulative preferred stock of our real estate investments trust ("REIT") subsidiary, FRPCC. On March 31, 2011, we elected "C Corporation" status for FRPCC II, previously a REIT, retroactive to January 1, 2011 and on May 10, 2011, we redeemed FRPCC II's outstanding $10.0 million preferred stock, with regulatory approval, and FRPCC II was renamed FRLC. At December 31, 2010, our total equity was $2.2 billion, which included $2.1 billion of common stockholders' equity and $86.6 million of preferred stock of FRPCC and FRPCC II.

We maintain a REIT subsidiary, FRPCC, for the purpose of raising regulatory capital. At June 30, 2011 and December 31, 2010, FRPCC had total assets of $462.4 million and $458.5 million, respectively, comprised primarily of single family mortgage loans originated by us, and had issued and outstanding perpetual, exchangeable, noncumulative preferred stock with a liquidation preference of $115.0 million. At June 30, 2011 and December 31, 2010, we owned a total of $25.4 million of FRPCC's preferred stock; this amount and the related dividends are eliminated in our financial statements. Under banking regulations, at June 30, 2011, we included the preferred stock issued by FRPCC and held by non-affiliates in our Tier 1 capital, subject to certain limitations. We report the preferred stock issues as noncontrolling interests in our balance sheet under GAAP. The preferred stock dividends paid by FRPCC are tax-deductible and we report these dividends as income attributable to noncontrolling interests in our statement of income under GAAP. If FRPCC does not pay dividends on its preferred stock, it will generally be prohibited from paying us dividends as its common shareholder.

At June 30, 2011, our Tier 2 capital included $38.2 million of the allowance for loan losses, $3.0 million of the reserve for unfunded commitments and a portion of the $67.1 million of subordinated notes maturing in 2012. At December 31, 2010, our Tier 2 capital included $18.8 million of the allowance for loan losses, $1.4 million of the reserve for unfunded commitments and a portion of the $68.4 million of subordinated notes maturing in 2012. We have issued subordinated notes in amounts, and with a scheduled maturity date that we believe will allow us to repay all of our subordinated notes in accordance with the terms. Our ability to meet our reasonably foreseeable obligations, including the payment of our obligations on our notes and preferred stock, is dependent upon cash flow from operations and applicable government regulations.

Our capital ratios exceeded all applicable regulatory requirements at June 30, 2011. The following table presents the capital ratios at June 30, 2011 and the standards for both well capitalized depository institutions and minimum capital requirements:

	Actual		Minimum Capital Requirement	Well Capitalized
($ in thousands)	Capital Amount	Ratio	Ratio	Ratio
Leverage	$ 2,231,701	9.38%	4.00%	5.00%
Tier 1 Risk-Based	$ 2,231,701	14.39%	4.00%	6.00%
Total Risk-Based	$ 2,285,655	14.74%	8.00%	10.00%

Current Accounting Developments

The following pronouncements have been issued by the Financial Accounting Standards Board ("FASB") but are not yet effective:

- In April 2011, the FASB issued amendments to ASC 310-40, "Receivables – Troubled Debt Restructurings by Creditors." These amendments provide additional guidance related to determining whether a creditor has granted a concession to a borrower and whether a borrower is experiencing financial difficulties. These amendments and the additional disclosures about troubled debt restructurings required by ASC 310-10, "Receivables – Overall" are effective for interim and annual periods beginning on or after June 15, 2011. 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 May 2011, the FASB issued amendments to ASC 820-10, "Fair Value Measurement," which clarify existing fair value measurement requirements. The amendments also change certain fair value measurement principles and require expanded disclosures for certain items measured at fair value or items disclosed at fair value in the notes to the financial statements. These amendments and additional disclosures are effective for interim and annual periods beginning after December 15, 2011. The Bank is evaluating the impact of adoption of this new guidance on its financial condition, results of operations, cash flows and disclosures in the financial statements.

- In June 2011, the FASB issued amendments to ASC 220-10, "Comprehensive Income," which require the presentation of items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or in two separate but consecutive statements. Under these amendments, other comprehensive income may no longer be presented in the statement of changes in stockholders' equity. The amendments are effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. The Bank is evaluating the impact of adoption of this new guidance on its financial condition, results of operations, cash flows and disclosures in the financial statements.

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 recorded in connection with the Bank of America acquisition and the Transaction, certain costs incurred with respect to the reestablishment of First Republic as an independent institution and costs associated with the Bank's initial public offering ("IPO"), management uses certain non-GAAP measures and ratios which exclude these items to evaluate our ongoing 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 in the Bank of America acquisition and the Transaction. The subsequent accretion and amortization impacted our net income, earnings per share and certain operating ratios as we accreted loan discounts to interest income; accreted discounts on loan commitments to noninterest income; recognized discounts established in purchase accounting on the sale of loans which increased gain on sale of loans; amortized premiums on liabilities such as CDs, FHLB advances and subordinated notes to interest expense; and amortized intangible assets created in the Transaction to noninterest expense.

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.

(in thousands, except per share amounts)	Successor				Predecessor
	Three Months Ended				Three Months Ended
Non-GAAP earnings	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Net income	$ 84,832	$ 88,772	$ 75,967	$ 66,395	$ 60,547
Accretion / amortization added to net interest income	(58,787)	(60,688)	(68,425)	(58,166)	(14,066)
Discounts recognized in gain on sale of loans	-	(3,827)	-	-	-
Accretion added to noninterest income	(166)	(1,054)	-	-	(5,290)
Amortization of intangible assets	5,760	5,917	6,073	6,230	-
Stock option costs related to IPO	-	-	8,950	-	-
Divestiture-related costs	-	-	-	13,768	-
Add back tax impact of the above items	22,607	25,352	22,696	16,307	8,226
Non-GAAP net income	$ 54,246	$ 54,472	$ 45,261	$ 44,534	$ 49,417
GAAP earnings per share - diluted	$ 0.64	$ 0.67	$ 0.60	$ 0.53	n/a
Impact of purchase accounting, net of tax	(0.23)	(0.26)	(0.29)	(0.24)	n/a
Impact of stock option costs related to IPO, net of tax	-	-	0.04	-	n/a
Impact of divestiture-related costs, net of tax	-	-	-	0.06	n/a
Non-GAAP earnings per share - diluted	$ 0.41	$ 0.41	$ 0.35	$ 0.35	n/a
Weighted average diluted common shares outstanding	133,091	132,509	127,546	125,858	n/a

(in thousands, except per share amounts)	Successor	Predecessor
Non-GAAP earnings	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net income	$ 173,604	$ 128,847
Accretion / amortization added to net interest income	(119,475)	(38,170)
Discounts recognized in gain on sale of loans	(3,827)	-
Accretion added to noninterest income	(1,220)	(8,220)
Amortization of intangible assets	11,677	-
Add back tax impact of the above items	47,959	19,715
Non-GAAP net income	$ 108,718	$ 102,172
GAAP earnings per share - diluted	$ 1.31	n/a
Impact of purchase accounting, net of tax	(0.49)	n/a
Non-GAAP earnings per share - diluted	$ 0.82	n/a
Weighted average diluted common shares outstanding	132,848	n/a

($ in thousands)	Successor				Predecessor
	Three Months Ended				Three Months Ended
Net interest margin	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Net interest income	$ 256,802	$ 254,494	$ 256,630	$ 236,240	$ 198,153
Less: Accretion / amortization	(58,787)	(60,688)	(68,425)	(58,166)	(14,066)
Adjusted net interest income (non-GAAP)	$ 198,015	$ 193,806	$ 188,205	$ 178,074	$ 184,087
Average interest earning assets	$ 22,628,398	$ 21,970,934	$ 21,049,353	$ 20,703,621	$ 18,523,823
Add: Average unamortized loan discounts	617,512	662,898	713,593	745,836	698,383
Adjusted average earning assets	$ 23,245,910	$ 22,633,832	$ 21,762,946	$ 21,449,457	$ 19,222,206
Net interest margin – reported	4.67%	4.76%	4.90%	4.54%	4.29%
Adjusted net interest margin (non-GAAP)	3.54%	3.55%	3.50%	3.31%	3.84%

($ in thousands) Net interest margin	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Net interest income	$ 511,296	$ 413,239
Less: Accretion / amortization	(119,475)	(38,170)
Adjusted net interest income (non-GAAP)	$ 391,821	$ 375,069
Average interest earning assets	$ 22,301,481	$ 18,624,758
Add: Average unamortized loan discounts	640,080	784,853
Adjusted average earning assets	$ 22,941,561	$ 19,409,611
Net interest margin – reported	4.72%	4.47%
Adjusted net interest margin (non-GAAP)	3.54%	3.90%

($ in thousands)	Successor Three Months Ended				Predecessor Three Months Ended
Efficiency ratio	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Net interest income	$ 256,802	$ 254,494	$ 256,630	$ 236,240	$ 198,153
Less: Accretion / amortization	(58,787)	(60,688)	(68,425)	(58,166)	(14,066)
Adjusted net interest income (non-GAAP)	$ 198,015	$ 193,806	$ 188,205	$ 178,074	$ 184,087
Noninterest income	$ 27,197	$ 31,066	$ 27,412	$ 19,028	$ 25,141
Less: Accretion of discount on loan commitments	(166)	(1,054)	-	-	(5,290)
Discounts recognized in gain on sale of loans	-	(3,827)	-	-	-
Adjusted noninterest income (non-GAAP)	$ 27,031	$ 26,185	$ 27,412	$ 19,028	$ 19,851
Total revenue	$ 283,999	$ 285,560	$ 284,042	$ 255,268	$ 223,294
Total revenue (non-GAAP)	$ 225,046	$ 219,991	$ 215,617	$ 197,102	$ 203,938
Noninterest expense	$ 138,829	$ 134,989	$ 143,033	$ 136,203	$ 114,112
Less: Intangible amortization	(5,760)	(5,917)	(6,073)	(6,230)	-
Stock option costs related to IPO	-	-	(8,950)	-	-
Divestiture-related costs	-	-	-	(13,768)	-
Adjusted noninterest expense (non-GAAP)	$ 133,069	$ 129,072	$ 128,010	$ 116,205	$ 114,112
Efficiency ratio	48.9%	47.3%	50.4%	53.4%	51.1%
Efficiency ratio (non-GAAP)	59.1%	58.7%	59.4%	59.0%	56.0%

($ in thousands) Efficiency ratio	Successor Six Months Ended June 30, 2011	Predecessor Six Months Ended June 30, 2010
Net interest income	$ 511,296	$ 413,239
Less: Accretion / amortization	(119,475)	(38,170)
Adjusted net interest income (non-GAAP)	$ 391,821	$ 375,069
Noninterest income	$ 58,263	$ 49,458
Less: Accretion of discount on loan commitments	(1,220)	(8,220)
Discounts recognized in gain on sale of loans	(3,827)	-
Adjusted noninterest income (non-GAAP)	$ 53,216	$ 41,238
Total revenue	$ 569,559	$ 462,697
Total revenue (non-GAAP)	$ 445,037	$ 416,307
Noninterest expense	$ 273,818	$ 216,964
Less: Intangible amortization	(11,677)	-
Adjusted noninterest expense (non-GAAP)	$ 262,141	$ 216,964
Efficiency ratio	48.1%	46.9%
Efficiency ratio (non-GAAP)	58.9%	52.1%

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, intangible assets, income taxes, contingencies, litigation and other operational risks. We base these estimates on our historical experience and on various other assumptions 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.

For a discussion of our accounting policies related to the allowance for loan losses, life of loans and repayment speed, and accounting for business combinations, refer to "Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2010 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management Framework

We seek to measure and manage the potential impact of changes in interest rates on our net interest income, 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 ("Board") 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. Compliance with these policies and limits is reported to the Board 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 liquid deposit accounts, short and intermediate term CDs and fixed and adjustable rate FHLB advances. As an active and ongoing part of our ALM strategy, we have regularly sold most of our 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 and hybrid ARM loan originations in bulk loan transactions or securitizations. We sold $505.0 million of longer-term, fixed-rate loans during the six months ended June 30, 2011, compared to loan sales of $141.8 million for the six months ended June 30, 2010.

Since the closing of the Transaction, we have borrowed from the FHLB on a long-term basis and entered into interest rate swaps to reduce our interest rate risk. The impact of these actions is expected to reduce our net interest margin somewhat from the historically high levels of the past two years. An increase in shorter-term rates, particularly relative to longer-term rates (a flatter yield curve), would have an adverse impact on our net interest margin and net interest income.

Historical Interest Rate Risk Management

While we were a division of MLFSB and BANA, interest rates declined and the yield curve steepened significantly. From September 21, 2007 to June 30, 2011, short-term interest rates dropped approximately 450 basis points while longer-term rates, such as 10-year treasuries, dropped by approximately 146 basis points. This decline in short-term interest rates and the steepening of the yield curve has led to an increase in our net interest margin, as deposit and other funding costs tied to the short-end of the yield curve have declined faster than loan yields. Additionally, between September 21, 2007 and June 30, 2010, any funding needs for our loan growth and operations beyond that supplied by deposits were provided by our Parent company on an overnight basis. Overall asset/liability management, including any extension of liabilities to better match fund hybrid ARM originations such as those made by us, were generally handled by our Parent company during that period, and any such liabilities (and their associated interest expense) were not reflected in our balance sheet or in our net interest margin.

Our net interest margin is also affected by the mix of earning assets and interest-bearing liabilities, primarily deposits. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 60% of total earning assets at June 30, 2011, compared to 58% at December 31, 2010. 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 27% of earning assets at June 30, 2011, compared to 30% at December 31, 2010. Those earning assets with lagging indices, such as COFI and the 12-month Treasury Average ("MTA") totaled 13% of earning assets at June 30, 2011, compared to 12% at December 31, 2010. Together, earning assets with reset periods of less than one year, totaled 40% and 42% at June 30, 2011 and December 31, 2010, respectively.

The changes in rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates. At June 30, 2011 and December 31, 2010, money market savings, money market checking and passbook deposit accounts comprised 42% and 40% of total deposits, respectively. Total checking deposits include both noninterest-bearing accounts and interest-bearing checking 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 33% and 30% of total deposits for the same respective period ends. CDs comprised 25% and 30% of total deposits for the same respective period ends. CDs had a weighted average remaining maturity of 14.6 months at June 30, 2011.

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 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. We currently have interest rate swaps with an aggregate notional amount of $500.0 million to effectively fix the interest rate paid on a portion of our variable rate deposit liabilities.

In addition to the mix and pricing of earning assets and interest-bearing liabilities, our net interest margin is also affected by factors such as competition, conditions in loan markets, levels of loan sales, general interest rate trends including the steepness of the yield curve, repayment rates, the cost of FHLB advances and the level of our nonaccrual assets. 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 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 advances with the FHLB, or to enter into interest rate exchange agreements to 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, including the impact of any existing interest rate exchange agreements. 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 of deposits. The Board has established limits on the permitted amount of cumulative gap expressed as a percentage of total assets.

As of June 30, 2011, our two-year cumulative gap was a positive 3.1% of total assets, indicating we were slightly asset sensitive to changes in interest rates. The following table presents the interest rate gap analysis of our assets and liabilities at June 30, 2011:

($ in millions) **Repricing and Maturing Term**	**12 Months or Less**	**>1 to 2 Years**	**>2 to 5 Years**	**>5 Years and Not Rate Sensitive**	**Total**
Assets:					
Cash and investments	$ 866	$ 75	$ 25	$ 1,818	$ 2,784
Securities purchased under agreements to resell	8	-	-	-	8
Loans, net [(1)(2)]	8,680	2,737	6,276	2,016	19,709
Other assets	52	-	432	813	1,297
	9,606	2,812	6,733	4,647	$ 23,798
Liabilities and Equity:					
Checking [(3)]	2,289	-	-	4,250	$ 6,539
Other liquid deposits [(3)]	5,293	-	500	2,582	8,375
Certificates of deposit	3,369	671	920	66	5,026
FHLB advances	-	-	650	450	1,100
Subordinated notes	-	64	-	3	67
Other liabilities	-	-	-	291	291
Equity before noncontrolling interests	-	-	-	2,323	2,323
Noncontrolling interests	-	-	-	77	77
	10,951	735	2,070	10,042	$ 23,798
Repricing gap-positive (negative)	$ (1,345)	$ 2,077	$ 4,663	$ (5,395)	
Cumulative repricing gap:					
Dollar amount	$ (1,345)	$ 732	$ 5,395		
Percent of total assets	-5.7%	3.1%	22.7%		

(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 2% annually and over the lifetime of the loan.

(2) Includes loans held for sale.

(3) All checking and other liquid deposits are contractually subject to immediate adjustment or withdrawal. Checking deposits are primarily considered not rate sensitive. A portion of other liquid deposits are considered to be not rate sensitive based upon historical trends.

We reduced our two-year cumulative gap following the Transaction by entering into a series of longer-term fixed-rate advances with the FHLB and by entering into two interest rate swaps which effectively fixed the interest rate paid on a portion of our variable rate liabilities. Although we believe we have reduced our current exposure to changes in interest rates through these actions, we may decide to take further action depending on subsequent growth rates and mix of loans and deposits, additional loan repayments and purchases of investment securities and 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 of 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, resulting from various hypothetical interest rate scenarios at least quarterly. 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 between hypothetical rising and declining rate scenarios, measured over a two-year period beginning June 30, 2011, 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 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. 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, we would note that 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	
Change in Market Interest Rates	**Twelve Months Ending June 30, 2012**	**Twelve Months Ending June 30, 2013**
+400 basis points immediately	6.6%	13.1%
+300 basis points immediately	4.6%	10.3%
+200 basis points immediately	2.6%	7.1%
+100 basis points immediately	0.8%	3.3%
-100 basis points immediately	-2.3%	-5.6%
-200 basis points immediately	-3.4%	-7.7%
+400 basis points over next 12 months	0.6%	9.2%
+300 basis points over next 12 months	0.2%	7.0%
+200 basis points over next 12 months	-0.1%	4.6%
+100 basis points over next 12 months	-0.3%	1.9%
-100 basis points over next 12 months	-0.6%	-4.1%
-200 basis points over next 12 months	-1.7%	-6.4%

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 recent actual increases in longer-term fixed-rate funding and interest rate swaps. 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. In a hypothetical declining rate environment in which interest rates drop even lower than their historic lows, 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. 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 purely 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 or changes in interest rate spreads would also cause our net interest income to be different from that projected. 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, or 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 our loans, we would recognize any remaining loan discounts into interest income. 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 changes in interest rates, such as changes to our loan, investment, deposit, funding or hedging strategies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the 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 June 30, 2011, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal proceedings, 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 1A. Risk Factors.

There are risks, many beyond our control, which could cause our results to differ significantly from management's expectations. The following risk factor updates the risks previously described in Part I, "Item 1A. Risk Factors" in our 2010 Form 10-K. Any of the risks described in our 2010 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

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

On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. As a result, on August 8, 2011, Standard & Poor's also lowered its long-term issuer credit ratings from AAA to AA+ on the 10 Federal Home Loan Banks that have not previously been downgraded, including the Federal Home Loan Bank of San Francisco, of which First Republic is a member, and lowered its senior issue ratings on Fannie Mae and Freddie Mac from AAA to AA+. This downgrade could have material adverse effects on financial markets and economic conditions in the United States and throughout the world, which could in turn have a material adverse effect on our business, financial condition or liquidity. 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 the sovereign credit rating downgrade. Further, the Federal Home Loan Banks and 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. See Part I, "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Business and Financial Statements — Downgrade of U.S. Credit Rating" for additional information. Because of the unprecedented nature of negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and our business, financial condition and liquidity are highly unpredictable and may not be immediately apparent.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 5. Other Information.

Effective August 4, 2011, First Republic restated its Restated Articles of Incorporation, as amended, to reflect the effects of a Certificate of Amendment that became effective on June 23, 2011. The Restated Articles of Incorporation that became effective on August 4, 2011 did not contain any further amendments.

Item 6. Exhibits.

3.1	Restated Articles of Incorporation of First Republic Bank.
11	Statement of Computation of Earnings Per Share.
12	Statement of Computation of Ratios of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to 15 U.S.C. 7m(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 15 U.S.C. 7m(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to §906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to §906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

FIRST REPUBLIC BANK

Date: August 9, 2011

/s/ Willis H. Newton, Jr.
Willis H. Newton, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2011

/s/ Michael J. Roffler
Michael J. Roffler
Senior Vice President and Deputy Chief Financial Officer
(Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Articles of Incorporation of First Republic Bank.
11	Statement of Computation of Earnings Per Share.
12	Statement of Computation of Ratios of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to 15 U.S.C. 7m(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 15 U.S.C. 7m(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to §906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to §906 of the Sarbanes-Oxley Act of 2002.

Exhibit 3.1

RESTATED ARTICLES OF INCORPORATION

OF

FIRST REPUBLIC BANK

James H. Herbert, II and Edward J. Dobranski certify that:

1. They are the Chairman of the Board of Directors and Secretary, respectively, of First Republic Bank (the "Corporation").

2. The Restated Articles of Incorporation of the Corporation, as amended, are restated to read in full as set forth in Exhibit A, which is incorporated by reference as if fully set forth herein.

3. The foregoing restatement has been duly approved by the Board of Directors of the Corporation.

4. The foregoing restatement was one which may be adopted by the Board of Directors of the Corporation alone under Section 910(b) of the Corporations Code because the restatement does not itself alter or amend the Restated Articles of Incorporation of the Corporation, as amended.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: August 2, 2011

/s/ James H. Herbert, II	/s/ Edward J. Dobranski
James H. Herbert, II	Edward J. Dobranski
Chairman of the Board	Secretary

Exhibit A

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

FIRST REPUBLIC BANK

FIRST, the name of this corporation is First Republic Bank.

SECOND, the purpose of this corporation is to engage in commercial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a commercial bank authorized to engage in trust business.

THIRD, the Series A Voting Common Stock, par value $0.01 per share ("Voting Common Stock"), of this corporation shall be re-designated as common stock, par value $0.01 per share, of this corporation and all issued and outstanding shares of Voting Common Stock immediately prior to the adoption and effectiveness of these Amended and Restated Articles of Incorporation shall be so re-designated without any action required on the part of any holder of Voting Common Stock. Any certificate evidencing shares of Voting Common Stock shall evidence the same number of shares of common stock following the adoption and effectiveness of these Amended and Restated Articles of Incorporation. The Series B Non-Voting Common Stock, par value $0.01 per share, of this corporation shall be cancelled. The total number of shares of stock of all classes which this corporation has authority to issue is 425,000,000 shares of which 400,000,000 shares shall be common stock, par value $0.01 per share, and 25,000,000 shares shall be preferred stock, par value $0.01 per share.

Preferred Stock. The preferred stock may be issued from time to time by this corporation as shares of one or more series. The board of directors is authorized to fix the number of shares of any series of preferred stock and to determine the designation of any such series. The board of directors is also authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of preferred stock and, within the limits and restrictions stated in any resolution or resolutions of the board of directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

FOURTH, no action required to be taken or which may be taken at any annual or special meeting of the shareholders of this corporation may be taken without a meeting, and the power of shareholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

FIFTH, the affirmative vote of the holders of at least 66 2/3% of the outstanding shares entitled to vote in the election of directors shall be required to effect or validate (1) any merger or consolidation with or into any other corporation or (2) any sale or lease of all or a substantial part of the assets of this corporation to any other corporation, person or other entity; provided that this Article FIFTH shall not apply to (a) any transaction if the board of directors of this corporation has approved a memorandum of understanding or other written agreement providing for such transaction or (b) any merger or consolidation of this corporation with, or any sale or lease by this corporation or any subsidiary thereof of any assets of, or any sale or lease by this corporation or any subsidiary thereof of any of its assets to, any corporation of which the majority of the outstanding shares of all classes of stock entitled to vote in election of directors is owned of record or beneficially by this corporation and its subsidiaries.

SIXTH, the liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law and applicable provisions of federal law.

SEVENTH, this corporation is authorized to provide indemnification of agents (as defined in Section 317(a) of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to (i) the applicable limits set forth in Section 204(a)(10) of the California Corporations Code, (ii) 12 U.S.C. § 1828(k) and the rules and regulations of the Federal Deposit Insurance Corporation thereunder and (iii) any other requirements or limitations imposed by state or federal laws or regulations.

EIGHTH, upon the effectiveness of this Article EIGHTH, shareholders shall not be permitted to elect directors by cumulative voting.

This Article EIGHTH shall become effective only when this corporation becomes a listed corporation within the meaning of Section 301.5 of the California Corporations Code, which section provides that a listed corporation means a corporation with outstanding shares listed on the New York Stock Exchange or a corporation with outstanding securities listed on the National Market System of the Nasdaq Stock Market (or any successor to that entity).

NINTH, the board of directors is authorized to adopt, amend and repeal bylaws of this corporation to the fullest extent permitted under applicable law. The shareholders may make, alter or repeal any bylaws whether or not adopted by them.

TENTH, any amendment, repeal or modification of Articles SIXTH or SEVENTH shall not adversely affect any right of protection of any director or agent of this corporation existing at the time of such amendment, repeal or modification.

ELEVENTH, the amendment or repeal of Article FOURTH, SIXTH, SEVENTH, EIGHTH or NINTH or this Article ELEVENTH of these Amended and Restated Articles of Incorporation, in any respect, or the adoption of any article or articles that are inconsistent with such Articles, in any respect, shall require prior approval by the affirmative vote of the holders of at least 66 2/3% of the outstanding shares entitled to vote.

TWELFTH, the Certificate of Determinations for the 10.5% Noncumulative Series M Preferred Stock, as filed on June 24, 2010 and as amended by the filing on November 30, 2010, is attached as Annex A hereto and incorporated herein by reference.

THIRTEENTH, the Certificate of Determinations for the 7.25% Noncumulative Perpetual Series N Preferred Stock, as filed on June 24, 2010, is attached as Annex B hereto and incorporated herein by reference.

Annex A

RESOLVED, that the Board, pursuant to Article Third of the Bank's Amended and Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 10.5% Noncumulative Series M Preferred Stock, to consist of 55,000 shares, par value $0.01 per share, none of which are currently outstanding, the preferences, relative and other rights, and qualifications, limitations or restrictions of which shall be (in addition to those set forth in the Bank's Amended and Restated Articles of Incorporation, as amended) as follows:

Section 1. *Liquidation Value*. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series M Preferred Stock at the time outstanding will be entitled to receive out of assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of common stock ("*Common Stock*") or any other class of stock ranking junior to the Series M Preferred Stock upon liquidation, liquidating distributions in the amount of $1,000 per share, plus the amount of accrued and unpaid dividends thereon (whether or not declared) from the beginning of the semiannual dividend period in which the liquidation occurs to the date of liquidation.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series M Preferred Stock will have no right or claim to any of the remaining assets of the Bank. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the amount of the liquidation distributions on all outstanding Series M Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series M Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series M Preferred Stock and such other classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively be entitled.

For the purposes of this Section 1, the consolidation or merger of the Bank with or into any other entity, or the sale, lease or conveyance of all or substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank.

Section 2. *Dividends.*

(a) *Payment of Dividends*. Holders of Series M Preferred Stock shall be entitled to receive, if, when and as authorized and declared by the Board of Directors, out of assets of the Bank legally available therefor, cash dividends at an annual rate of 10.5% of the $1,000 liquidation preference per share (equivalent to $105 per share per annum), and no more. Such noncumulative cash dividends shall be payable, if authorized and declared, semiannually in arrears on June 30 and December 30 of each year, or, if such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the preceding Business Day (each such date, a "*Dividend Payment Date*"*)*. Each authorized and declared dividend shall be payable to holders of record of the Series M Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 45 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefor, as may be determined by the Board of Directors (each such date, a "*Record Date*"*); provided, however,* that if the date fixed for redemption of any of the Series M Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Semiannual dividend periods (each, a "*Dividend Period*"*)* shall commence on and include the first day, and shall end on and include the last day, of the semiannual period in which the corresponding Dividend Payment Date occurs. Notwithstanding the preceding sentence, if Series M Preferred Stock are issued in exchange for shares (the "*REIT Preferred Shares*") of preferred stock of First Republic Preferred Capital Corporation, a Nevada corporation (or its corporate successor) (the issuance and exchange, an "*Automatic Exchange*"), the first Dividend Period (the "*Initial Dividend Period*") shall be the following: (i) if dividends have accrued but not been paid on the REIT Preferred Shares for the semiannual period during which the Automatic Exchange occurs, then the Initial Dividend Period shall be deemed to commence on and include the first day of that semiannual period and shall end on and include the next regular Dividend Payment Date following the date of issuance of the Series M Preferred Stock; or (ii) if dividends have been accrued and paid on the REIT Preferred Shares for the semiannual period during which the Automatic Exchange occurs, then the Initial Dividend Period shall be the first Dividend Period commencing after the next regular Dividend Payment Date following the date of issuance of the Series M Preferred Stock.

The amount of dividends payable for the Initial Dividend Period and for any other Dividend Period which, as to a share of Series M Preferred Stock (determined by reference to the issuance date and the redemption or retirement date thereof), is greater or less than a full Dividend Period shall be computed on the basis of the number of days elapsed in the period using a 360-day year composed of twelve 30-day months.

Holders of the Series M Preferred Stock shall not be entitled to any interest, or any sum of money in lieu of interest, in respect of any dividend payment or payments on the Series M Preferred Stock authorized and declared by the Board of Directors that may be unpaid. Any dividend payment made on the Series M Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series M Preferred Stock. Any dividend payment or payment on REIT Preferred Shares authorized and declared but unpaid at the time of an Automatic Exchange shall be deemed to be authorized and declared but unpaid cash dividends with respect to the Series M Preferred Stock.

(b) *Dividends Noncumulative.* The right of holders of Series M Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board of Directors does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series M Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends are authorized and declared payable in respect of any future Dividend Period.

(c) *Priority as to Dividends; Limitations on Dividends on Common Stock.* If full dividends on the Series M Preferred Stock for any Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 2(c)) with respect to the Common Stock or any other stock of the Bank ranking junior to the Series M Preferred Stock as to dividends or amounts upon liquidation (together with the Common Stock, "*Junior Equity*") or any stock on parity with the Series M Preferred Stock as to dividends or amounts upon liquidation ("*Parity Stock*"), nor shall any Junior Equity or Parity Stock be redeemed, purchased or otherwise acquired for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except by conversion into or exchange for other Junior Equity), until such time as dividends on all outstanding Series M Preferred Stock have been (i) authorized, declared and paid for two consecutive Dividend Periods and (ii) authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for the third consecutive Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series M Preferred Stock, all dividends declared on the Series M Preferred Stock and any other series ranking on a parity as to dividends with the Series M Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series M Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per share of Series M Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series M Preferred Stock bear to each other.

(d) Any reference to "*dividends*" or "*distributions*" in this Section 2 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 3. *Optional Redemption*. The Series M Preferred Stock will be redeemable at the option of the Bank, in whole or in part, at any time or from time to time, at a cash redemption price equal to the sum of (i) the liquidation preference thereof, plus (ii) the amount of the accrued and unpaid dividend thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption plus (iii) the redemption premium per share, if any, payable pursuant to the next succeeding sentence. The redemption premium per share shall be (A) $35 if the date of redemption is after June 1, 2009 but on or prior to June 1, 2010; (B) $28 if the date of redemption is after June 1, 2010 but on or prior to June 1, 2011; (C) $21 if the date of redemption is after June 1, 2011 but on or prior to June 1, 2012; (D) $14 if the date of redemption is after June 1, 2012 but on or prior to June 1, 2013; and (E) $7 if the date of redemption is after June 1, 2013 but on or prior to

June 1, 2014. No redemption premium shall be payable if the date of redemption is after June 1, 2014.

In the event that fewer than all the outstanding Series M Preferred Stock are to be redeemed, the number of Series M Preferred Stock to be redeemed shall be determined by the Board of Directors, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board of Directors or by any other method as may be determined by the Board of Directors, in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange (if any) on which the Series M Preferred Stock are then listed.

Unless full dividends on the Series M Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series M Preferred Stock shall be redeemed unless all outstanding Series M Preferred Stock are redeemed and the Bank shall not purchase or otherwise acquire any Series M Preferred Stock; *provided, however*, that the Bank may purchase or acquire Series M Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series M Preferred Stock.

The Bank shall not redeem or set aside funds for the redemption of any stock of the Bank ranking on parity with the Series M Preferred Stock as to dividends or amounts upon liquidation unless prior to or contemporaneously therewith it redeems, or sets aside funds for the redemption of, a number of shares of Series M Preferred Stock whose liquidation preference bears the same relationship to the aggregate liquidation preference of all shares of Series M Preferred Stock then outstanding as the liquidation preference of such parity stock to be redeemed bears to the aggregate liquidation preference of all parity stock then outstanding.

A notice by the Bank pursuant to this Section 3 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series M Preferred Stock at the holder’s address as it appears in the records of the Bank’s transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice, to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of Series M Preferred Stock to be redeemed, (iii) the redemption price and (iv) the manner in which holders of Series M Preferred Stock called for redemption may obtain payment of the redemption price in respect of those shares.

Any Series M Preferred Stock that are duly called for redemption pursuant to this Section 3 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to the aggregate redemption price. From and after that time, the holders of the Series M Preferred Stock so called for redemption shall have no further rights as stockholders of the Bank and in lieu thereof shall have only the right to receive the redemption price, without interest.

Series M Preferred Stock redeemed pursuant to this Section 3 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series M Preferred Stock.

Section 4. *Voting Rights.*

(a) *General.* Except as expressly provided in this Section 4 and as required by law, holders of Series M Preferred Stock shall have no voting rights. When the holders of Series M Preferred Stock are entitled to vote, each share of Series M Preferred Stock will be entitled to one vote.

(b) *Right to Elect Directors*. If, at the time of any annual meeting of the Bank's stockholders for the election of directors, the Bank has failed to pay or declare and set aside for payment all scheduled dividends during the two preceding Dividend Periods on the Series M Preferred Stock and any other series of Preferred Stock of the Bank then outstanding the holders of the Series M Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock then entitled by the terms of such Preferred Stock to vote for directors, will be entitled to elect two directors to serve on the Bank's Board at each such annual meeting, and the holders of all then outstanding shares of capital stock of the Bank, exercising the voting rights conferred by Article THIRD of the Bank's Amended and Restated Articles of Incorporation, as the same may be amended or restated from time to time, and by law, shall be entitled to elect the remaining number of authorized directors. Each director elected by the holders of shares of the Preferred Stock (each, a "*Preferred Director*") shall continue to serve as such director until the later of (i) the full term for which he or she shall have been elected or (ii) the payment of all scheduled semiannual dividends on the Preferred Stock, including the Series M Preferred Stock, during three consecutive Dividend Periods. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series M Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at a meeting of the Bank's stockholders, or of the holders of the Series M Preferred Stock and all other series of Preferred Stock so entitled to vote thereon, called for that purpose. As long as dividends on the Series M Preferred Stock shall not have been paid for the preceding semiannual Dividend Period, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series M Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at a meeting of the Bank's stockholders, or of the holders of the Series M Preferred Stock and all other series of Preferred Stock so entitled to vote thereon, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series M Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director.

(c) *Certain Voting Rights.* The affirmative vote or consent of the holder of at least 67% of the outstanding shares of each series of Preferred Stock of the Bank, including the Series M Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank other than a series which shall not have any right to object to such creation or (ii) alter or change the provisions of the Bank's Amended and Restated Articles of Incorporation (including the terms of the Series M Preferred Stock), including by consolidation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided* that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least 67% of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Bank's Amended and Restated Articles of Incorporation shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series M Preferred Stock, provided that: (x) the Series M Preferred Stock remain outstanding with the terms thereof unchanged, or (y) the Series M Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series M Preferred Stock set forth herein. Additionally, an increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock or an increase in the amount of authorized shares of any such series, in each case ranking on a parity with or junior to the Series M Preferred Stock with respect to payment of dividends or distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series M Preferred Stock.

Section 5. *Independent Directors and Approval of Certain Senior or Parity Issuances*.

(a) *Number; Definition.* As long as any Series M Preferred Stock is outstanding, at least two directors on the Board of Directors shall be Independent Directors. As used herein, "*Independent Director*" means any director of the Bank who is either (i) not a current officer or employee of the Bank or (ii) a Preferred Director.

(b) *Approval of Certain Senior or Parity Issuances*. As long as any Series M Preferred Stock is outstanding, the Bank may not, without the unanimous approval of the entire Board, issue additional Preferred Stock ranking senior to, or on a parity with, the Series M Preferred Stock with respect to rights upon the liquidation, dissolution or winding up of the Bank or rights as to dividends.

Section 6. *Ranking*.

(a) *Ranking with Respect to Distributions upon Liquidation.* With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series M Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are junior to the Series M Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 7.25% Noncumulative Perpetual Series N Preferred Stock and with all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding, which expressly provide that they will rank on par with the Series M Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are senior to the Series M Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) *Ranking with Respect to Dividends*. With respect to dividends, the Series M Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are junior to the Series M Preferred Stock with respect to dividends, (ii) on a parity with 7.25% Noncumulative Perpetual Series N Preferred Stock and with all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding, which expressly provide that they will rank on par with the Series M Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are senior to the Series M Preferred Stock with respect to dividends.

Section 7. *No Conversion Rights*. The holders of Series M Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest in, the Bank.

Section 8. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series M Preferred Stock.

Section 9. *Preemptive or Subscription Rights*. No holder of Series M Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any other security of the Bank that it may issue or sell.

Section 10. *No Other Rights*. The Series M Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank’s Amended and Restated Articles of Incorporation or as otherwise required by law.

Section 11. *Compliance with Applicable Law*. Declaration by the Board of Directors and payment by the Bank of dividends to holders of the Series M Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series M Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

Annex B

> RESOLVED, that the Board, pursuant to Article Third of the Bank's Amended and Restated Articles of Incorporation, hereby authorizes the creation of a series of Preferred Stock of the Bank out of the authorized but unissued shares of the Preferred Stock of the Bank, such series to be designated 7.25% Noncumulative Perpetual Series N Preferred Stock, to consist of 60,000 shares, par value $0.01 per share, none of which are currently outstanding, the preferences, relative and other rights, and qualifications, limitations or restrictions of which shall be (in addition to those set forth in the Bank's Amended and Restated Articles of Incorporation, as amended) as follows:

Section 1. *Liquidation Value.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Bank, the holders of the Series N Preferred Stock at the time outstanding will be entitled to receive out of the assets of the Bank available for distribution to shareholders, before any distribution of assets is made to holders of common stock ("*Common Stock*") or any other class of stock ranking junior to the Series N Preferred Stock upon liquidation, liquidating distributions in the amount of $1,000.00 per share, plus the amount of accrued and unpaid dividends thereon (whether or not declared) from the beginning of the quarterly dividend period in which the liquidation occurs to the date of liquidation.

After payment of the full amount of the liquidating distributions to which they entitled pursuant to the preceding paragraph, the holders of Series N Preferred Stock will have no right or claim to any of the remaining assets of the Bank. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Bank are insufficient to pay the full amount of the liquidating distributions on all outstanding Series N Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Bank ranking on a parity with the Series N Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the affairs of the Bank, then the holders of the Series N Preferred Stock and such other classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they otherwise respectively would be entitled.

For the purposes of this Section 1, the consolidation or merger of the Bank with or into any other entity or the sale, lease or conveyance of all substantially all of the property or business of the Bank, shall not be deemed to constitute the liquidation, dissolution or winding up of the Bank.

Section 2. *Dividends*

(a) *Payment of Dividends*. Holders of Series N Preferred Stock will be entitled to receive if , when and as authorized and declared by the Board of Directors, out of assets of the Bank legally available therefore, cash dividends at an annual rate of 7.25% of the $1,000.00 liquidation preference per share (equivalent to $72.50 per share per annum), and no more. Such noncumulative cash dividends shall be payable, if authorized and declared, quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, or if any such day is not a day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated pursuant to legal requirements or executive order to be closed (each such day, a "*Business Day*"), on the preceding Business Day (each such date, a "*Dividend Payment Date*"). Each authorized and declared dividend shall be payable to holders of record of the Series N Preferred Stock as they appear on the stock books of the Bank at the close of business on such record date, not more than 45 calendar days nor less than 10 calendar days preceding the Dividend Payment Date therefore, as may be determined by the Board of Directors (each such date, a "*Record Date*"); *provided*, *however*, that if the date fixed for redemption of any of the Series N Preferred Stock occurs after a dividend in authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid. Quarterly dividend periods (each, a "*Dividend Period*"*)* shall commence on and include the first day, and shall end on and include the last day, of the quarterly period in which the corresponding Dividend Payment Date occurs. Notwithstanding the previous sentence, if Series N Preferred Stock are issued in exchange for shares (the "*REIT Preferred Shares*") of preferred stock of First Republic Preferred Capital Corporation, a Nevada corporation, (or its corporate successor) (the issuance and exchange, an "*Automatic Exchange*"), the first Dividend Period (the "*Initial Dividend Period*") shall be the following: (i) if dividends have accrued but not been paid on the REIT Preferred Shares for the quarterly period during which the Automatic Exchange occurs, then the Initial Dividend Period shall be deemed to commence on and include the first day of that quarterly period and shall end on and include the next regular Dividend Payment Date following the date of issuance of the Series N Preferred Stock; or (ii) if dividends have been accrued and paid on the REIT Preferred Shares for the quarterly period during which the Automatic Exchange occurs, then the Initial Dividend Period shall be the first Dividend Period commencing after the next regular Dividend Payment Date following the date of issuance of the Series N Preferred Stock.

The amount of dividends payable for the Initial Dividend Period and for any other Dividend Period which, as to any share of Series N Preferred Stock (determined by reference to the issuance date and the redemption or retirement date thereof), is greater or less than a full Dividend Period shall be computed on the basis of the number of days elapsed in the period using a 360-day year composed of twelve 30-day months.

Holders of the Series N Preferred Stock shall not be entitled to any interest, or any sum of money on lieu of interest, in respect of any dividend payment or payments on the Series N Preferred Stock authorized and declared by the Board of Directors that may be unpaid. Any dividend payment made on the Series N Preferred Stock shall first be credited against the earliest authorized and declared but unpaid cash dividend with respect to the Series N Preferred Stock. Any dividend payment or payment on REIT Preferred Shares authorized and declared but unpaid at the time of an Automatic Exchange shall be deemed to be authorized and declared but unpaid cash dividends with respect to the Series N Preferred Stock.

(b) *Dividends Noncumulative.* The right of holders of Series N Preferred Stock to receive dividends is noncumulative. Accordingly, except as hereinafter expressly provided, if the Board of Directors does not authorize or declare a dividend payable in respect of any Dividend Period, holders of Series N Preferred Stock shall have no right to receive a dividend in respect of such Dividend Period and the Bank shall have no obligation to pay a dividend in respect of such Dividend Period, whether or not dividends are authorized and declared payable in respect of any subsequent Dividend Period.

(c) *Priority as to Dividends; Limitations on Dividends on Junior Equity*. If full dividends on the Series N Preferred Stock for any completed Dividend Period shall not have been declared and paid, or declared and a sum sufficient for the payment thereof shall not have been set apart for such payments, no dividends or distributions shall be authorized, declared or paid or set aside for payment (other than as provided in the second paragraph of this Section 2(c)) with respect to the Common Stock or any other stock of the Bank ranking junior to the Series N Preferred Stock as to dividends or amounts upon liquidation (together with the Common Stock, "*Junior Equity*") or any stock on parity with the Series N Preferred Stock as to dividends or amounts upon liquidation ("*Parity Stock*"), nor shall any Junior Equity or Parity Stock be redeemed, purchased or otherwise acquired of any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such stock) by the Bank (except by conversion into or exchange for other Junior Equity), until time as dividends on all outstanding Series N Preferred Stock have been (i) authorized, declared and paid for four consecutive Dividend Periods and (ii) authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for the fifth consecutive Dividend Period.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) for any Dividend Period on the Series N Preferred Stock, all dividends declared on the Series N Preferred Stock and any other series ranking on a parity as to dividends with the Series N Preferred Stock shall be declared *pro rata* so that the amount of dividends declared per share on the Series N Preferred Stock and each such other series of capital stock shall in all cases bear to each other the same ratio that full dividends, for the then current Dividend Period, per Series B Preferred, per share of Series N Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior Dividend Periods) and full dividends, including required or permitted accumulations, if any, on the stock of each such other series ranking on a parity as to dividends with the Series N Preferred Stock bear to each other.

(d) Any reference to "*dividends*" or "*distributions*" in this Section 2 shall not be deemed to include any distribution made in connection with any voluntary or involuntary dissolution, liquidation or winding up of the Bank.

Section 3. *Optional Redemption*. The Series N Preferred Stock will be redeemable at the option of the Bank, in whole or in part, at any time or from time to time, at a cash redemption price equal to the sum of the liquidation preference thereof plus the amount of the accrued and unpaid dividends thereon (whether or not declared) from the beginning of the Dividend Period in which the redemption occurs to the date of redemption.

In the event that fewer than all the outstanding Series N Preferred Stock are to be redeemed, the number of Series N Preferred Stock to be redeemed shall be determined by the Board of Directors, and the shares to be redeemed shall be determined by lot or *pro rata* as may be determined by the Board of Directors or by any other method as may be determined by the Board of Directors, in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange (if any) on which the Series N Preferred Stock are then listed.

Unless full dividends on the Series N Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for payment for the then current Dividend Period, no Series N Preferred Stock shall be redeemed unless all outstanding Series N Preferred Stock are redeemed and the Bank shall not purchase or otherwise acquire any Series N Preferred Stock; *provided, however,* that the Bank may purchase or acquire Series N Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series N Preferred Stock.

The Bank shall not redeem or set aside funds for the redemption of any stock of the Bank ranking on parity with the Series N Preferred Stock as to dividends or amounts upon liquidation unless prior to or contemporaneously therewith it redeems or sets aside funds for the redemption of, a number of shares of Series N Preferred Stock whose liquidation preference bears the same relationship to the aggregate liquidation preference of all shares of Series N Preferred Stock then outstanding as the liquidation preference of such parity stock to be redeemed bears to the aggregate liquidation preference of all parity stock then outstaying.

A notice by the Bank pursuant to this Section 3 shall be sufficiently given if in writing and mailed, first class postage prepaid, to each record holder of Series N Preferred Stock at the holder's address as it appears in the records of the Bank's transfer agent. In any case where notice is given by mail, neither the failure to mail such notice nor any defect in the notice, to any particular holder shall affect the sufficiency of such notice to any other holder. Any notice mailed to a holder in the manner described above shall be deemed given on the date mailed, whether or not the holder actually receives the notice. A notice of redemption shall be given not less than 30 days and not more than 60 days prior to the date of redemption specified in the notice, and shall specify (i) the redemption date, (ii) the number of Series N Preferred Stock to be redeemed, (iii) the redemption price and (iv) the manner in which holders of Series N Preferred Stock called for redemption may obtain payment of the redemption price in respect of those shares.

Any Series N Preferred Stock that are duly called for redemption to this Section 3 shall be deemed no longer to be outstanding for any purpose from and after that time that the Bank shall have irrevocably deposited with the paying agent identified in the notice of redemption funds in an amount equal to aggregate redemption price. From and after that time, the holders of the Series N Preferred Stock so called for redemption shall have no further rights as stockholders of the Bank and in lieu thereof shall have only the right to receive the redemption price without interest.

Series N Preferred Stock redeemed pursuant to this Section 3 or purchased or otherwise acquired for value by the Bank shall, after such acquisition, have the status of authorized and unissued shares of Preferred Stock and may be reissued by the Bank at any time as shares of any series of Preferred Stock other than as Series N Preferred Stock.

Section 4. *Voting Rights*.

(a) *General*. Except as expressly provided in this Section 4 and as required by law, holders of Series N Preferred Stock shall have no voting rights. When the holders of Series N Preferred Stock are entitled to vote, each shares of Series N Preferred Stock will be entitled to one vote.

(b) *Right to Elect Directors*. If, at the time of any annual meeting of the Bank's stockholders for the election of directors, the Bank has failed to pay or declare and set aside for payment all scheduled dividends during the four preceding Dividend Periods on the Series N Preferred Stock and any other series of Preferred Stock of the Bank then outstanding, the holders of the Series N Preferred Stock, voting as a single class together with the holders of each other series of Preferred Stock then entitled by the terms of such Preferred Stock to vote for directors, will be entitled to elect two directors to serve on the Bank's Board at each such annual meeting, and the holders of all then outstanding shares of capital stock of the Bank, exercising the voting rights conferred by Article THIRD of the Bank's Amended and Restated Articles of Incorporation, as the same may be amended or restated from time to time, and by law, shall be entitled to elect the remaining number of authorized directors. Each director elected by the holders of shares of the Preferred Stock (each, a "*Preferred Director*") shall continue to serve as such director until the later of (i) the full term for which he or she shall have been elected or (ii) the payment of all scheduled quarterly dividends on the Preferred Stock, including the Series N Preferred Stock, during five consecutive Dividend Periods. Except as otherwise provided for by applicable law, any Preferred Director may be removed only by the vote of the holders of record of the outstanding Series N Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at a meeting of the Bank's stockholders, or of the holders of the Series N Preferred Stock and all other series of Preferred Stock so entitled to vote thereon, called for that purpose. As long as dividends on the Series N Preferred Stock shall not have been paid for the preceding quarterly Dividend Period, (i) any vacancy in the office of any Preferred Director may be filled by the vote of the holders of record of the outstanding Series N Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at a meeting of the Bank's stockholders, or of the holders of the Series N Preferred Stock and all other series of Preferred Stock so entitled to vote thereon, called for that purpose, and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series N Preferred Stock entitled to vote, voting together as a single class with the holders of all other series of Preferred Stock entitled to vote on the matter, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director.

(c) *Certain Voting Rights.* The affirmative vote or consent of the holders of at least 67% of the outstanding shares of each series of Preferred Stock of the Bank, including the Series N Preferred Stock, will be required (i) to create any class or series of stock which shall, as to dividends or distribution of assets, rank prior to any outstanding series of Preferred Stock of the Bank other than a series which shall not have any right to object to such creation or (ii) alter or change the provisions of the Bank's Amended and Restated Articles of Incorporation (including the terms of the Series N Preferred Stock), including by consolation or merger, so as to adversely affect the voting powers, preferences or special rights of the holders of a series of Preferred Stock of the Bank; *provided*, *however*, that if such amendment shall not adversely affect all series of Preferred Stock of the Bank, such amendment need only be approved by at least 67% of the holders of shares of each series of Preferred Stock adversely affected thereby. Notwithstanding the foregoing, an alteration or change to the provisions of the Banks' Amended and Restated Articles of Incorporation shall not be deemed to affect the voting powers, preferences or special rights of the holders of the Series N Preferred Stock, provided that: (x) the Series N Preferred Stock remain outstanding with the terms thereof unchanged, or (y) the Series N Preferred Stock are converted in a merger or consolidation transaction into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series N Preferred Stock set forth herein. Additionally, an increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock or an increase in the amount of authorized shares of any such series, in each case ranking on a parity with or junior to the Series N Preferred Stock with respect to payment of dividends or distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to adversely affect the voting powers, preferences or special rights of the holders of the Series N Preferred Stock.

Section 5. *Independent Directors and Approval of Certain Senior or Parity Issuances*.

(a) *Number; Definition.* As long as any Series N Preferred Stock is outstanding, at least two directors on the Board of Directors shall be Independent Directors. As used herein, "*Independent Director*" means any director of the Bank who is either (i) not a current officer or employee of the Bank or (ii) a Preferred Director.

(b) *Approval of Certain Senior or Parity Issuances*. As long as any Series N Preferred Stock is outstanding, the Bank may not, without the unanimous approval of the entire Board, issue additional Preferred Stock ranking senior to, or on a parity with, the Series N Preferred Stock with respect to rights upon the liquidation, dissolution or winding up of the Bank or rights as to dividends.

Section 6. *Ranking*.

(a) *Ranking with Respect to Distributions upon Liquidation.* With respect to rights upon liquidation, dissolution or winding up of the Bank, the Series N Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are junior to the Series N Preferred Stock as to distributions upon liquidation, dissolution or winding up, (ii) on a parity with 10.5% Noncumulative Series M Preferred Stock and with all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding, which expressly provide that they will rank on par with the Series N Preferred Stock as to distributions upon liquidation, dissolution or winding up, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are senior to the Series N Preferred Stock as to distributions upon liquidation, dissolution or winding up.

(b) *Ranking with Respect to Dividends*. With respect to dividends, the Series N Preferred Stock shall rank: (i) senior to the Common Stock and to all other classes or series of stock of the Bank now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are junior to the Series N Preferred Stock with respect to dividends, (ii) on a parity with 10.5% Noncumulative Series M Preferred Stock and with all other classes or series of Preferred Stock of the Bank now or hereafter authorized, issued or outstanding, which expressly provide that they will rank on par with the Series N Preferred Stock with respect to dividends, and (iii) junior to all other classes or series of Preferred Stock of the Corporation now or hereafter authorized, issued or outstanding that by their terms expressly provide that they are senior to the Series N Preferred Stock with respect to dividends.

Section 7. *No Conversion Rights*. The holders of Series N Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or any interest in, the Bank.

Section 8. *No Sinking Fund*. No sinking fund shall be established for the retirement or redemption of Series N Preferred Stock.

Section 9. *Preemptive or Subscriptive Rights.* No holder of Series N Preferred Stock of the Bank shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Bank or any security of the Bank that it may issue or sell.

Section 10. *No Other Rights.* The Series N Preferred Stock shall not have any designations, preferences or relative, participating, optional or other special rights except as set forth in the Bank's Amended and Restated Articles of Incorporation or as otherwise required by law.

Section 11. *Compliance with Applicable Law.* Declaration by the Board of Directors and payment by the Bank of dividends to holders of the Series N Preferred Stock and repurchase, redemption or other acquisition by the Bank (or another entity as provided in subsection (a) of Section 3 hereof) of Series N Preferred Stock shall be subject in all respects to any and all restrictions and limitations placed on dividends, redemptions or other distributions by the Bank (or any such other entity) under (i) laws, regulations and regulatory conditions or limitations applicable to or regarding the Bank (or any such other entity) from time to time and (ii) agreements with federal or state banking authorities with respect to the Bank (or any such other entity) from time to time in effect.

EXHIBIT 11

FIRST REPUBLIC BANK
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE

(in thousands, except per share amounts)	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Basic EPS:		
Net income available to common stockholders	$ 84,832	$ 173,604
Weighted average common shares outstanding	128,858	128,858
Net income per share - basic	$ 0.66	$ 1.35
Diluted EPS:		
Net income available to common stockholders	$ 84,832	$ 173,604
Weighted average shares:		
Common shares outstanding	128,858	128,858
Dilutive stock options under the treasury stock method	4,233	3,990
Weighted average diluted common shares outstanding	133,091	132,848
Net income per share - diluted	$ 0.64	$ 1.31

EXHIBIT 12

FIRST REPUBLIC BANK
STATEMENT OF COMPUTATION OF
RATIOS OF EARNINGS TO FIXED CHARGES

($ in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended December 31, 2010	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Year Ended December 26, 2008	Period From Sept. 22, 2007 to Dec. 28, 2007	Period From Jan. 1, 2007 to Sept. 21, 2007	Year Ended December 31, 2006
I. Income (loss) before income taxes and noncontrolling interest in subsidiaries	$ 132,144	$ 108,000	$ 275,102	$ 241,265	$ 228,381	$ 605,778	$ 20,526	$ 43,600	$ (20,844)	$ 106,691
Preferred stock dividends	-	-	-	-	-	-	-	-	(5,424)	(7,480)
Preferred stock dividends of subsidiaries	(1,962)	(2,084)	(4,046)	(4,168)	(4,168)	(8,381)	(8,335)	(2,836)	(8,924)	(12,462)
Amortization of preferred stock issuance costs	-	-	-	-	-	-	-	-	(186)	(754)
Earnings before adjustment for fixed charges	$ 130,182	$ 105,916	$ 271,056	$ 237,097	$ 224,213	$ 597,397	$ 12,191	$ 40,764	$ (35,378)	$ 85,995
II. Fixed charges, excluding interest on customer deposits:										
Interest on borrowings	$ 6,819	$ 1,154	$ 12,492	$ 8,821	$ 5,260	$ 34,479	$ 121,248	$ 26,773	$ 60,592	$ 78,815
Preferred stock dividends	-	-	-	-	-	-	-	-	5,424	7,480
Preferred stock dividends of subsidiaries	1,962	2,084	4,046	4,168	4,168	8,381	8,335	2,836	8,924	12,462
Amortization of preferred stock issuance costs	-	-	-	-	-	-	-	-	186	754
Estimated interest component of net rental expense	2,990	2,988	6,089	5,653	6,113	10,058	11,020	2,310	6,322	7,682
Total fixed charges, excluding interest on customer deposits	$ 11,771	$ 6,226	$ 22,627	$ 18,642	$ 15,541	$ 52,918	$ 140,603	$ 31,919	$ 81,448	$ 107,193
III. Fixed charges, including interest on customer deposits:										
Interest on borrowings	$ 6,819	$ 1,154	$ 12,492	$ 8,821	$ 5,260	$ 34,479	$ 121,248	$ 26,773	$ 60,592	$ 78,815
Preferred stock dividends	-	-	-	-	-	-	-	-	5,424	7,480
Preferred stock dividends of subsidiaries	1,962	2,084	4,046	4,168	4,168	8,381	8,335	2,836	8,924	12,462
Amortization of preferred stock issuance costs	-	-	-	-	-	-	-	-	186	754
Estimated interest component of net rental expense	2,990	2,988	6,089	5,653	6,113	10,058	11,020	2,310	6,322	7,682
Interest on customer deposits	22,313	44,567	44,067	45,116	90,339	223,964	273,036	92,839	226,245	228,741
Total fixed charges, including interest on customer deposits	$ 34,084	$ 50,793	$ 66,694	$ 63,758	$ 105,880	$ 276,882	$ 413,639	$ 124,758	$ 307,693	$ 335,934
IV. Ratios of earnings to fixed charges										
Excluding interest on customer deposits	12.06x	18.01x	12.98x	13.72x	15.43x	12.29x	1.09x	2.28x	0.57x	1.80x
Including interest on customer deposits	4.82x	3.09x	5.06x	4.72x	3.12x	3.16x	1.03x	1.33x	0.89x	1.26x

EXHIBIT 31.1

CERTIFICATION

I, James H. Herbert, II certify that:

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

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

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

4. The registrant's other certifying officer 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 have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 9, 2011

/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 Quarterly Report on Form 10-Q of First Republic Bank;

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

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

4. The registrant's other certifying officer 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 have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 9, 2011

/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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2011

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

EXHIBIT 32.2

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

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2011

/s/ Willis H. Newton, Jr.
Name: Willis H. Newton, Jr.
Title: Executive Vice President and Chief Financial Officer