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, 2013

OR

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

For the transition period from to

FIRST REPUBLIC BANK
(Exact name of registrant as specified in its charter)

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

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

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 Bank's common stock, par value $0.01 per share, as of July 31, 2013 was 131,894,714.

FIRST REPUBLIC BANK

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK
BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	June 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 591,738	$ 602,264
Securities purchased under agreements to resell	163	30,901
Investment securities available-for-sale	1,233,830	960,433
Investment securities held-to-maturity (fair value of $2,821,667 and $2,773,398 at June 30, 2013 and December 31, 2012, respectively)	2,793,705	2,545,189
Loans	30,442,625	27,986,759
Less: Allowance for loan losses	(148,307)	(129,889)
Loans, net	30,294,318	27,856,870
Loans held for sale	53,284	204,631
Investments in life insurance	733,958	701,672
Prepaid expenses and other assets	639,921	575,741
Tax credit investments	534,554	484,548
Premises, equipment and leasehold improvements, net	156,446	142,201
Goodwill	106,549	106,549
Other intangible assets	145,393	158,892
Mortgage servicing rights	28,882	17,786
Total Assets	$ 37,312,741	$ 34,387,677
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking accounts	$ 7,950,212	$ 8,544,472
Interest-bearing checking accounts	6,000,214	5,408,325
Money Market (MM) checking accounts	4,441,635	4,104,791
MM savings and passbooks	6,378,112	6,064,629
Certificates of deposit	3,458,468	2,966,030
Total deposits	28,228,641	27,088,247
Short-term borrowings	370,000	75,000
Long-term debt	4,350,000	3,150,000
Debt related to variable interest entity	49,126	56,450
Other liabilities	527,851	619,436
Total Liabilities	33,525,618	30,989,133
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 689,525 and 499,525 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	689,525	499,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 131,822,369 shares and 131,273,485 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	1,318	1,313
Additional paid-in capital	2,036,607	2,027,578
Retained earnings	1,041,417	838,752
Accumulated other comprehensive income	18,256	31,376
Total Shareholders' Equity	3,787,123	3,398,544
Total Liabilities and Shareholders' Equity	$ 37,312,741	$ 34,387,677

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Interest income:				
Loans	$ 294,215	$ 291,040	$ 582,308	$ 570,714
Investments	38,430	30,265	73,909	59,124
Cash equivalents	99	822	273	1,445
Total interest income	332,744	322,127	656,490	631,283
Interest expense:				
Deposits	13,254	16,678	24,264	31,665
Borrowings	16,398	14,852	31,085	27,753
Total interest expense	29,652	31,530	55,349	59,418
Net interest income	303,092	290,597	601,141	571,865
Provision for loan losses	12,653	14,875	19,131	29,727
Net interest income after provision for loan losses	290,439	275,722	582,010	542,138
Noninterest income:				
Investment advisory fees	27,525	14,674	52,624	27,373
Brokerage and investment fees	3,071	2,667	5,462	5,432
Trust fees	2,498	2,185	4,558	3,958
Foreign exchange fee income	4,639	2,639	7,726	5,060
Deposit fees	4,611	3,445	9,255	6,726
Gain on sale of loans	8,779	4,754	34,769	8,563
Loan servicing fees, net	1,299	(704)	1,635	(2,608)
Loan and related fees	2,109	1,465	4,021	2,948
Income from investments in life insurance	5,912	5,618	11,796	10,989
Other income (loss)	1,807	(104)	2,672	843
Total noninterest income	62,250	36,639	134,518	69,284
Noninterest expense:				
Salaries and employee benefits	98,157	81,533	200,041	164,040
Occupancy	22,904	20,690	44,992	40,585
Information systems	19,504	17,746	37,327	33,920
Tax credit investments	11,280	4,521	22,180	9,771
Amortization of intangibles	6,643	5,170	13,499	10,458
FDIC and other deposit assessments	6,800	5,902	13,627	11,302
Advertising and marketing	6,842	7,144	12,645	13,106
Professional fees	5,104	5,453	8,817	9,731
Other expenses	22,905	23,396	44,445	43,397
Total noninterest expense	200,139	171,555	397,573	336,310
Income before provision for income taxes	152,550	140,806	318,955	275,112
Provision for income taxes	38,831	42,274	82,928	83,909
Net income before noncontrolling interests	113,719	98,532	236,027	191,203
Less: Net income from noncontrolling interests	—	625	—	1,538
First Republic Bank net income	113,719	97,907	236,027	189,665
Dividends on preferred stock and other	9,706	17,291	17,482	19,742
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Net income before noncontrolling interests	$ 113,719	$ 98,532	$ 236,027	$ 191,203
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on securities available-for-sale	(9,494)	2,510	(12,944)	14,274
Reclassification of gain on securities available-for-sale to net income	(771)	(350)	(771)	(702)
Reclassification of loss on cash flow hedges to net income	297	298	595	595
Other comprehensive income (loss)	(9,968)	2,458	(13,120)	14,167
Comprehensive income before noncontrolling interests	103,751	100,990	222,907	205,370
Less: Comprehensive income from noncontrolling interests	—	625	—	1,538
First Republic Bank comprehensive income	$ 103,751	$ 100,365	$ 222,907	$ 203,832
Basic earnings per common share	$ 0.79	$ 0.62	$ 1.67	$ 1.31
Diluted earnings per common share	$ 0.77	$ 0.60	$ 1.61	$ 1.27
Dividends per common share	$ 0.12	$ —	$ 0.12	$ —

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total First Republic Bank Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	**129,371,958**	**$ —**	**$ 1,294**	**$ 2,020,832**	**$ 494,450**	**$ 1,186**	**$ 2,517,762**	**$ 77,260**	**$ 2,595,022**
Net income	—	—	—	—	189,665	—	189,665	1,538	191,203
Other comprehensive income	—	—	—	—	—	14,167	14,167	—	14,167
Issuance of preferred stock, net	—	349,525	—	(11,051)	—	—	338,474	—	338,474
Stock award compensation expense	—	—	—	10,349	—	—	10,349	—	10,349
Net issuance of common stock under stock plans	1,160,286	—	11	(187)	—	—	(176)	—	(176)
Excess tax benefits on stock compensation	—	—	—	5,865	—	—	5,865	—	5,865
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	—	(12,951)	—	—	(12,951)	(77,260)	(90,211)
Dividends on preferred stock	—	—	—	—	(6,542)	—	(6,542)	—	(6,542)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(1,538)	(1,538)
Balance at June 30, 2012	**130,532,244**	**$ 349,525**	**$ 1,305**	**$ 2,012,857**	**$ 677,573**	**$ 15,353**	**$ 3,056,613**	**$ —**	**$ 3,056,613**
Balance at December 31, 2012	**131,273,485**	**$ 499,525**	**$ 1,313**	**$ 2,027,578**	**$ 838,752**	**$ 31,376**	**$ 3,398,544**	**$ —**	**$ 3,398,544**
Net income	—	—	—	—	236,027	—	236,027	—	236,027
Other comprehensive loss	—	—	—	—	—	(13,120)	(13,120)	—	(13,120)
Issuance of preferred stock, net	—	190,000	—	(6,209)	—	—	183,791	—	183,791
Stock award compensation expense	—	—	—	12,558	—	—	12,558	—	12,558
Net issuance of common stock under stock plans	548,884	—	5	(2,475)	—	—	(2,470)	—	(2,470)
Excess tax benefits on stock compensation	—	—	—	5,155	—	—	5,155	—	5,155
Dividends on preferred stock	—	—	—	—	(17,482)	—	(17,482)	—	(17,482)
Dividends on common stock	—	—	—	—	(15,880)	—	(15,880)	—	(15,880)
Balance at June 30, 2013	**131,822,369**	**$ 689,525**	**$ 1,318**	**$ 2,036,607**	**$ 1,041,417**	**$ 18,256**	**$ 3,787,123**	**$ —**	**$ 3,787,123**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating Activities:		
Net income before noncontrolling interests	$ 236,027	$ 191,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	19,131	29,727
Accretion of loan discounts	(61,318)	(83,921)
Depreciation and amortization	28,098	16,596
Amortization of mortgage servicing rights	4,909	3,687
Provision for mortgage servicing rights in excess of fair value, net	—	3,769
Net change in loans held for sale	172,008	70,912
Deferred income taxes	3,206	1,501
Gain on sale of loans	(34,769)	(8,563)
Other net (gains) losses	(1,341)	644
Noncash cost of stock awards	12,558	10,349
Excess tax benefits on stock compensation	(5,155)	(5,865)
Decrease (increase) in other assets	44,902	(114,943)
Decrease in other liabilities	(104,175)	(13,478)
Net Cash Provided by Operating Activities	314,081	101,618
Investing Activities:		
Loan originations, net of principal collections	(3,342,040)	(2,928,120)
Loans purchased	(20,791)	(2,962)
Loans sold	965,447	453,233
Purchases of securities available-for-sale	(448,780)	(128,711)
Proceeds from sales/calls/maturity of securities available-for-sale	149,117	88,681
Purchases of securities held-to-maturity	(281,354)	(235,812)
Proceeds from calls/maturity of securities held-to-maturity	32,464	8,585
Purchases of FHLB stock	(106,314)	(31,503)
Proceeds from redemptions of FHLB stock	19,270	—
Purchases of investments in life insurance	(20,000)	(23,000)
Net change in securities purchased under agreements to resell	30,738	(14,440)
Net change in tax credit investments	(64,842)	(55,409)
Additions to premises, equipment and leasehold improvements, net	(31,155)	(24,265)
Proceeds from sales of other assets	—	399
Net Cash Used for Investing Activities	(3,118,240)	(2,893,324)
Financing Activities:		
Net increase in deposits	1,147,347	1,768,905
Net increase (decrease) in short-term borrowings	295,000	(100,000)
Proceeds from long-term FHLB advances	1,200,000	1,050,000
Decrease in debt related to variable interest entity	(7,324)	(9,678)
Net proceeds from issuance of preferred stock	183,791	338,474
Proceeds from issuance of common stock under employee stock purchase plan	1,258	831
Proceeds from stock options exercised	1,768	5,638
Excess tax benefits on stock compensation	5,155	5,865
Redemption of noncontrolling interests in subsidiary’s preferred stock	—	(90,211)
Dividends on preferred stock	(17,482)	(6,542)
Dividends on common stock	(15,880)	—
Dividends to noncontrolling interests	—	(1,538)
Net Cash Provided by Financing Activities	2,793,633	2,961,744
(Decrease) Increase in Cash and Cash Equivalents	(10,526)	170,038
Cash and Cash Equivalents at the Beginning of Period	602,264	630,780
Cash and Cash Equivalents at the End of Period	$ 591,738	$ 800,818
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 55,355	$ 73,658
Income taxes	$ 87,928	$ 97,702
Transfer of loans to held for sale	$ 967,378	$ 276,809
Transfer of repossessed assets from loans to other assets	$ —	$ 1,046

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

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

The accompanying consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Bank's financial position and results of operations. All such adjustments were of a normal and recurring nature. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q adopted by the FDIC. These consolidated financial statements are intended to be read in conjunction with the Bank's consolidated financial statements, and notes thereto, for the year ended December 31, 2012, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2012 Form 10-K"). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Nature of Operations

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

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

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

Use of Estimates

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

Reclassifications

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

Accounting Standards Adopted in 2013

During the six months ended June 30, 2013, the following accounting pronouncements were adopted by the Bank:

- In December 2011, the Financial Accounting Standards Board ("FASB") issued amendments to Accounting Standards Codification ("ASC") 210-20, "Balance Sheet—Offsetting," which require an entity with financial instruments and derivatives subject to offsetting or master netting arrangements to disclose both gross and net amounts of those assets and liabilities and the amounts offset in the statement of financial position. These amendments were issued to enable users of financial statements to understand the effect these arrangements have on the statement of financial position. In January 2013, the FASB issued a subsequent amendment, which clarified the scope of the new disclosure requirements. The additional disclosures required under these amendments apply to the Bank's foreign exchange contract derivatives. The amendments are effective for interim and annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of this new guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. The additional disclosures required under these amendments are included in Note 8, "Derivative Financial Instruments."

- In February 2013, the FASB issued amendments to ASC 220-10, "Comprehensive Income," which require an entity to disclose, either on the face of the financial statements or in the notes, additional information about reclassifications out of accumulated other comprehensive income, by component. The amendments are effective for interim and annual periods beginning after December 15, 2012 and are applied prospectively. The adoption of this new guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. The additional disclosures required under these amendments are included in Note 11, "Accumulated Other Comprehensive Income."

Recent Accounting Pronouncement

The following pronouncement has been issued by the FASB, but is not yet effective:

- In July 2013, the FASB issued amendments to ASC 740-10, "Income Taxes," which require an entity with a net operating loss carryforward, a tax credit carryforward or a similar tax loss to present unrecognized tax benefits as a reduction in deferred tax assets in the statement of financial position when certain criteria are met. These amendments were issued to eliminate diversity in practice that currently exists for presenting unrecognized tax benefits as either a reduction in deferred tax assets or as a liability. The amendments are effective for interim and annual periods beginning after December 15, 2013 and will be applied prospectively. Early adoption and retrospective application are permitted. The adoption of this new guidance is not expected to have a significant impact on the Bank's financial condition, results of operations or cash flows. The Bank does not intend to adopt this guidance early.

Note 2. Investment Securities

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

($ in thousands)	June 30, 2013 Amortized Cost	June 30, 2013 Gross Unrealized Gains	June 30, 2013 Gross Unrealized Losses	June 30, 2013 Fair Value
Available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ 47,221	$ 234	$ —	$ 47,455
Residential agency mortgage-backed securities ("MBS")	124,120	902	(1,386)	123,636
Residential non-agency MBS	16,350	—	(295)	16,055
Commercial MBS	502,184	32,817	—	535,001
Collateralized loan obligations	510,480	530	(312)	510,698
Marketable equity securities	480	505	—	985
Total	$ 1,200,835	$ 34,988	$ (1,993)	$ 1,233,830
Held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 2,547,548	$ 74,463	$ (49,808)	$ 2,572,203
Tax-exempt nonprofit debentures	191,333	1,742	(7,547)	185,528
Taxable municipal securities	53,201	9,026	—	62,227
Residential non-agency MBS	1,623	86	—	1,709
Total	$ 2,793,705	$ 85,317	$ (57,355)	$ 2,821,667

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

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the "FHLB") to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At June 30, 2013 and December 31, 2012, the carrying value of investment securities pledged was $2.4 billion and $2.1 billion, respectively.

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

	June 30, 2013					
	Less than 12 months		12 months or more		Total	
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale:						
Residential agency MBS	$ (1,386)	$ 38,782	$ —	$ —	$ (1,386)	$ 38,782
Residential non-agency MBS	(295)	16,055	—	—	(295)	16,055
Collateralized loan obligations	(312)	144,720	—	—	(312)	144,720
Total	$ (1,993)	$ 199,557	$ —	$ —	$ (1,993)	$ 199,557
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$ (49,529)	$ 803,175	$ (279)	$ 7,422	$ (49,808)	$ 810,597
Tax-exempt nonprofit debentures	(7,547)	86,951	—	—	(7,547)	86,951
Total	$ (57,076)	$ 890,126	$ (279)	$ 7,422	$ (57,355)	$ 897,548

	December 31, 2012					
	Less than 12 months		12 months or more		Total	
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale:						
Residential agency MBS	$ (141)	$ 15,030	$ —	$ —	$ (141)	$ 15,030
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$ (1,821)	$ 106,220	$ —	$ —	$ (1,821)	$ 106,220

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

The unrealized losses on the Bank's investments in residential agency MBS are primarily due to the sharp increase in longer-term market interest rates that occurred in the second quarter of 2013. The Bank expects to continue to receive all contractual principal and interest payments. These investments are currently held in the available-for-sale portfolio, however, the Bank does not intend to sell these investments and has concluded that it is more likely than not that it will not be required to sell any of the investments prior to recovery of the amortized cost basis. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

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

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

There were no other-than-temporary impairment charges on securities during the three and six months ended June 30, 2013. During the three and six months ended June 30, 2012, the Bank recognized other-than-temporary impairment charges on one marketable equity security in the available-for-sale portfolio, which resulted in write-downs of $878,000 and $1.0 million, respectively, included in earnings.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Sales proceeds	$ 127,305	$ 13,633	$ 127,305	$ 58,798
Gross realized gains	$ 1,341	$ 607	$ 1,341	$ 1,220

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Interest income on tax-exempt securities	$ 26,502	$ 23,317	$ 52,566	$ 45,548
Interest income on taxable securities	10,321	6,792	18,877	13,276
Dividend income on FHLB stock	1,607	156	2,466	300
Total	$ 38,430	$ 30,265	$ 73,909	$ 59,124

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

	June 30, 2013		December 31, 2012	
($ in thousands)	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Available-for-sale:				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	3,895	3,926	3,495	3,544
Due after five years through ten years	77,039	76,675	27,048	27,625
Due after ten years	1,119,421	1,152,244	872,558	928,498
Total debt securities	$ 1,200,355	$ 1,232,845	$ 903,101	$ 959,667
Held-to-maturity:				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	3,027	3,049	—	—
Due after five years through ten years	5,913	6,087	8,937	9,278
Due after ten years	2,784,765	2,812,531	2,536,252	2,764,120
Total debt securities	$ 2,793,705	$ 2,821,667	$ 2,545,189	$ 2,773,398

Note 3. Loans and Allowance for Loan Losses

Loan Profile

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At June 30, 2013, approximately 59% of the total loan portfolio was secured by California real estate, compared to 61% at December 31, 2012. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans. At June 30, 2013, approximately 73% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 77% at December 31, 2012.

The following tables present the major categories of loans outstanding, including "purchased credit-impaired loans" 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:

	June 30, 2013			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 17,728,429	$ (143,599)	$ 36,473	$ 17,621,303
Home equity lines of credit	1,891,849	(13,580)	7,123	1,885,392
Multifamily (5+ units)	3,597,809	(25,416)	(8,965)	3,563,428
Commercial real estate	3,127,177	(63,594)	(7,323)	3,056,260
Single family construction	263,718	(531)	(1,692)	261,495
Multifamily/commercial construction	218,271	(61)	(2,052)	216,158
Total real estate mortgages	26,827,253	(246,781)	23,564	26,604,036
Commercial business	3,045,189	(21,020)	(4,673)	3,019,496
Other secured	424,060	(1,475)	117	422,702
Unsecured loans and lines of credit	283,013	(1,742)	244	281,515
Stock secured	114,567	(10)	319	114,876
Total other loans	3,866,829	(24,247)	(3,993)	3,838,589
Total loans	$ 30,694,082	$ (271,028)	$ 19,571	$ 30,442,625
Less:				
Allowance for loan losses				(148,307)
Loans, net				30,294,318
Single family loans held for sale				53,284
Total				$ 30,347,602

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

The Bank had pledged $16.3 billion and $14.7 billion of loans to secure borrowings from the FHLB as of June 30, 2013 and December 31, 2012, respectively, although only approximately $5.8 billion and $4.2 billion, respectively, were required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At June 30, 2013 and December 31, 2012, purchased credit-impaired loans had an unpaid principal balance of $165.9 million and $201.5 million, respectively, and a carrying value of $148.2 million and $179.2 million, respectively.

The Bank recorded no reductions to the nonaccretable difference for charge-offs of loan balances during the three and six months ended June 30, 2013, compared to $43,000 during the three and six months ended June 30, 2012.

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:

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Accretable yield:				
Balance at beginning of period	$ 18,082	$ 22,998	$ 20,123	$ 24,368
Accretion	(5,064)	(3,987)	(9,286)	(8,653)
Reclassification from nonaccretable difference for loans with improving cash flows	30	1,612	1,037	3,247
Increase in expected cash flows	2,352	2,907	5,209	4,669
Resolutions/payments in full	(1,997)	(290)	(3,680)	(391)
Balance at end of period	$ 13,403	$ 23,240	$ 13,403	$ 23,240

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Allowance:				
Balance at beginning of period	$ 1,350	$ 2,571	$ 1,626	$ 461
Provision	172	139	172	2,430
Reversal of provision	(264)	(346)	(550)	(527)
Charge-offs	—	(108)	—	(108)
Recoveries	19	7	29	7
Balance at end of period	$ 1,277	$ 2,263	$ 1,277	$ 2,263

Credit Quality

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of June 30, 2013 and December 31, 2012. Of the $62.8 million of loans on nonaccrual status at June 30, 2013, $32.5 million were current under the terms of the loans. Of the $49.2 million of loans on nonaccrual status at December 31, 2012, $33.8 million were current under the terms of the loans.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At June 30, 2013								
Single Family (1-4 units):								
Purchased non-impaired	$ 3,801	$ —	$ —	$ 3,801	$ 4,237,334	$ 4,241,135	$ —	$ 2,900
Purchased non-impaired that subsequently became impaired	4,258	—	9,979	14,237	12,517	26,754	—	18,465
Purchased credit-impaired	214	—	—	214	12,952	13,166	—	—
Originated post June 30, 2010 non-impaired	—	481	700	1,181	13,338,621	13,339,802	—	1,174
Originated post June 30, 2010 impaired	—	—	446	446	—	446	—	446
	8,273	481	11,125	19,879	17,601,424	17,621,303	—	22,985
Home Equity Lines of Credit:								
Purchased non-impaired	1,932	330	479	2,741	850,073	852,814	—	1,717
Purchased non-impaired that subsequently became impaired	—	—	2,472	2,472	6,522	8,994	—	8,994
Purchased credit-impaired	290	—	—	290	4,023	4,313	—	—
Originated post June 30, 2010 non-impaired	600	—	—	600	1,016,511	1,017,111	—	—
Originated post June 30, 2010 impaired	—	—	—	—	2,160	2,160	—	2,160
	2,822	330	2,951	6,103	1,879,289	1,885,392	—	12,871
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	570,031	570,031	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,081	2,081	—	2,081
Purchased credit-impaired	—	—	—	—	60,336	60,336	—	503
Originated post June 30, 2010 non-impaired	—	—	—	—	2,930,980	2,930,980	—	—
	—	—	—	—	3,563,428	3,563,428	—	2,584
Commercial Real Estate:								
Purchased non-impaired	492	—	—	492	918,002	918,494	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	6,236	6,236	—	6,236
Purchased credit-impaired	—	—	—	—	38,642	38,642	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	2,092,888	2,092,888	—	393
	492	—	—	492	3,055,768	3,056,260	—	6,629
Single Family Construction:								
Purchased non-impaired	—	—	—	—	6,555	6,555	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	251,492	251,492	—	—
Originated post June 30, 2010 impaired	—	—	3,448	3,448	—	3,448	—	3,448
	—	—	3,448	3,448	258,047	261,495	—	3,448

Loan Aging *(continued)*:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At June 30, 2013								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,075	1,075	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	215,083	215,083	—	—
	—	—	—	—	216,158	216,158	—	—
Commercial Business:								
Purchased non-impaired	—	—	—	—	382,876	382,876	—	856
Purchased non-impaired that subsequently became impaired	—	—	8,489	8,489	341	8,830	—	8,489
Purchased credit-impaired	—	—	—	—	31,144	31,144	—	564
Originated post June 30, 2010 non-impaired	—	—		—	2,592,418	2,592,418	—	—
Originated post June 30, 2010 impaired	—	—	4,228	4,228	—	4,228	—	4,228
	—	—	12,717	12,717	3,006,779	3,019,496	—	14,137
Other Secured:								
Purchased non-impaired	—	—	—	—	43,193	43,193	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	379,509	379,509	—	—
	—	—	—	—	422,702	422,702	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	127	—	—	127	40,489	40,616	—	96
Purchased credit-impaired	—	—	—	—	647	647	—	74
Originated post June 30, 2010 non-impaired	3	377	—	380	239,872	240,252	—	—
	130	377	—	507	281,008	281,515	—	170
Stock Secured:								
Purchased non-impaired	—	—	—	—	9,224	9,224	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	105,652	105,652	—	—
	—	—	—	—	114,876	114,876	—	—
Total	$ 11,717	$ 1,188	$ 30,241	$ 43,146	$ 30,399,479	$ 30,442,625	$ —	$ 62,824

Loan Aging:

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

Loan Aging *(continued)*:

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Actual interest income recognized	$ 17	$ —	$ 33	$ —
Interest income under original terms	$ 622	$ 320	$ 1,072	$ 562

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

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

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

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

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

The following tables present the recorded investment in loans, by credit quality indicator and by class, at June 30, 2013 and December 31, 2012:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At June 30, 2013					
Single Family (1-4 units):					
Purchased non-impaired	$ 4,201,693	$ 9,740	$ 29,702	$ —	$ 4,241,135
Purchased non-impaired that subsequently became impaired	—	—	26,754	—	26,754
Purchased credit-impaired	11,500	402	1,264	—	13,166
Originated post June 30, 2010 non-impaired	13,332,642	5,796	1,364	—	13,339,802
Originated post June 30, 2010 impaired	—	—	446	—	446
	17,545,835	15,938	59,530	—	17,621,303
Home Equity Lines of Credit:					
Purchased non-impaired	839,273	9,637	3,904	—	852,814
Purchased non-impaired that subsequently became impaired	—	—	8,759	235	8,994
Purchased credit-impaired	1,854	—	2,459	—	4,313
Originated post June 30, 2010 non-impaired	1,010,014	7,097	—	—	1,017,111
Originated post June 30, 2010 impaired	—	—	2,160	—	2,160
	1,851,141	16,734	17,282	235	1,885,392
Multifamily (5+ units):					
Purchased non-impaired	552,774	16,484	773	—	570,031
Purchased non-impaired that subsequently became impaired	—	—	2,081	—	2,081
Purchased credit-impaired	24,507	33,725	2,104	—	60,336
Originated post June 30, 2010 non-impaired	2,928,079	2,028	873	—	2,930,980
	3,505,360	52,237	5,831	—	3,563,428
Commercial Real Estate:					
Purchased non-impaired	866,823	36,624	15,047	—	918,494
Purchased non-impaired that subsequently became impaired	—	—	6,236	—	6,236
Purchased credit-impaired	10,026	2,068	26,548	—	38,642
Originated post June 30, 2010 non-impaired	2,089,873	—	3,015	—	2,092,888
	2,966,722	38,692	50,846	—	3,056,260
Single Family Construction:					
Purchased non-impaired	3,437	—	3,118	—	6,555
Originated post June 30, 2010 non-impaired	251,492	—	—	—	251,492
Originated post June 30, 2010 impaired	—	—	3,448	—	3,448
	254,929	—	6,566	—	261,495
Multifamily/Commercial Construction:					
Purchased non-impaired	—	1,075	—	—	1,075
Originated post June 30, 2010 non-impaired	211,652	3,431	—	—	215,083
	211,652	4,506	—	—	216,158
Commercial Business:					
Purchased non-impaired	353,942	23,345	5,398	191	382,876
Purchased non-impaired that subsequently became impaired	—	—	341	8,489	8,830
Purchased credit-impaired	20,283	6,871	3,990	—	31,144
Originated post June 30, 2010 non-impaired	2,562,855	17,543	12,020	—	2,592,418
Originated post June 30, 2010 impaired	—	—	—	4,228	4,228
	2,937,080	47,759	21,749	12,908	3,019,496
Other Secured:					
Purchased non-impaired	43,193	—	—	—	43,193
Originated post June 30, 2010 non-impaired	379,338	171	—	—	379,509
	422,531	171	—	—	422,702
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	40,504	—	16	96	40,616
Purchased credit-impaired	573	—	74	—	647
Originated post June 30, 2010 non-impaired	240,252	—	—	—	240,252
	281,329	—	90	96	281,515
Stock Secured:					
Purchased non-impaired	9,224	—	—	—	9,224
Originated post June 30, 2010 non-impaired	105,652	—	—	—	105,652
	114,876	—	—	—	114,876
Total	$ 30,091,455	$ 176,037	$ 161,894	$ 13,239	$ 30,442,625

Credit Quality Indicators:

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

Allowance for Loan Losses

The Bank's allowance for loan losses is evaluated based on five classes of loans: (1) purchased non-impaired; (2) purchased non-impaired that subsequently became impaired under ASC 310-10-35, "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 to determine if these loans have experienced a deterioration in credit quality based upon their payment status and loan grade. If a deterioration in credit quality has occurred, the Bank evaluates the estimated loss content in the individual loan as compared to the loan's current carrying value, which includes any related purchase accounting discount. Any loans that subsequently became impaired are evaluated under ASC 310-10-35.

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

Loans originated after June 30, 2010 are collectively evaluated for estimated losses in accordance with ASC 450, "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 an allowance for loan loss model that computes loss factors for each segment based upon our historical losses and current portfolio trends.

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

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

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
At or for the Three Months Ended June 30, 2013												
Allowance for loan losses:												
Beginning balance	$ 19,121	$ 5,062	$ 21,483	$ 17,119	$ 458	$ 955	$ 38,802	$ 6,032	$ 4,058	$ 484	$ 22,526	$ 136,100
Provision (reversal of provision)	2,348	66	735	1,164	14	309	4,768	1,178	1,045	(115)	1,141	12,653
Charge-offs	—	—	—	—	—	—	(64)	—	(849)	—	—	(913)
Recoveries	6	42	—	—	—	—	15	—	404	—	—	467
Ending balance	$ 21,475	$ 5,170	$ 22,218	$ 18,283	$ 472	$ 1,264	$ 43,521	$ 7,210	$ 4,658	$ 369	$ 23,667	$ 148,307
At or for the Six Months Ended June 30, 2013												
Allowance for loan losses:												
Beginning balance	$ 18,698	$ 4,902	$ 19,362	$ 16,827	$ 452	$ 1,140	$ 36,904	$ 6,505	$ 4,631	$ 468	$ 20,000	$ 129,889
Provision (reversal of provision)	2,765	517	2,856	1,456	20	124	6,662	705	458	(99)	3,667	19,131
Charge-offs	—	(291)	—	—	—	—	(64)	—	(852)	—	—	(1,207)
Recoveries	12	42	—	—	—	—	19	—	421	—	—	494
Ending balance	$ 21,475	$ 5,170	$ 22,218	$ 18,283	$ 472	$ 1,264	$ 43,521	$ 7,210	$ 4,658	$ 369	$ 23,667	$ 148,307
Ending balance: purchased loans evaluated collectively for impairment	$ 2,210	$ 1,675	$ 1,850	$ 2,101	$ 146	$ —	$ 1,032	$ —	$ 97	$ —	$ —	$ 9,111
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,535	$ 824	$ 134	$ —	$ —	$ —	$ 1,986	$ —	$ —	$ —	$ —	$ 4,479
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 1,106	$ —	$ —	$ 171	$ —	$ —	$ —	$ —	$ 1,277
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 17,382	$ 2,663	$ 20,234	$ 15,076	$ 300	$ 1,264	$ 39,275	$ 7,210	$ 4,561	$ 369	$ 23,667	$ 132,001
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 348	$ 8	$ —	$ —	$ 26	$ —	$ 1,057	$ —	$ —	$ —	$ —	$ 1,439
Loans:												
Ending balance	$ 17,621,303	$ 1,885,392	$ 3,563,428	$ 3,056,260	$ 261,495	$ 216,158	$ 3,019,496	$ 422,702	$ 281,515	$ 114,876		$ 30,442,625
Ending balance: purchased loans evaluated collectively for impairment	$ 4,241,135	$ 852,814	$ 570,031	$ 918,494	$ 6,555	$ 1,075	$ 382,876	$ 43,193	$ 40,616	$ 9,224		$ 7,066,013
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 26,754	$ 8,994	$ 2,081	$ 6,236	$ —	$ —	$ 8,830	$ —	$ —	$ —		$ 52,895
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 13,166	$ 4,313	$ 60,336	$ 38,642	$ —	$ —	$ 31,144	$ —	$ 647	$ —		$ 148,248
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 13,339,802	$ 1,017,111	$ 2,930,980	$ 2,092,888	$ 251,492	$ 215,083	$ 2,592,418	$ 379,509	$ 240,252	$ 105,652		$ 23,165,187
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 2,160	$ —	$ —	$ 3,448	$ —	$ 4,228	$ —	$ —	$ —		$ 10,282

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Unsecured Loans and Lines of Credit	Stock Secured	Unallocated	Total
At or for the Three Months Ended June 30, 2012												
Allowance for loan losses:												
Beginning balance	$ 10,027	$ 3,196	$ 13,747	$ 11,519	$ 371	$ 710	$ 21,789	$ 4,257	$ 2,605	$ 235	$ 13,962	$ 82,418
Provision	3,690	743	1,719	2,668	49	163	3,417	1,319	1	68	1,038	14,875
Charge-offs	(62)	—	(59)	—	—	—	(74)	—	(113)	—	—	(308)
Recoveries	30	—	—	—	—	—	32	—	2	—	—	64
Ending balance	$ 13,685	$ 3,939	$ 15,407	$ 14,187	$ 420	$ 873	$ 25,164	$ 5,576	$ 2,495	$ 303	$ 15,000	$ 97,049
At or for the Six Months Ended June 30, 2012												
Allowance for loan losses:												
Beginning balance	$ 9,072	$ 3,352	$ 10,753	$ 6,462	$ 347	$ 850	$ 20,175	$ 2,917	$ 1,734	$ 317	$ 12,134	$ 68,113
Provision (reversal of provision)	4,811	626	4,988	7,725	73	23	5,049	2,659	921	(14)	2,866	29,727
Charge-offs	(240)	(45)	(334)	—	—	—	(94)	—	(177)	—	—	(890)
Recoveries	42	6	—	—	—	—	34	—	17	—	—	99
Ending balance	$ 13,685	$ 3,939	$ 15,407	$ 14,187	$ 420	$ 873	$ 25,164	$ 5,576	$ 2,495	$ 303	$ 15,000	$ 97,049
Ending balance: purchased loans evaluated collectively for impairment	$ 1,887	$ 1,318	$ 1,935	$ 2,997	$ 143	$ —	$ 1,167	$ 73	$ 153	$ —	$ —	$ 9,673
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 659	$ 593	$ 201	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,453
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 25	$ —	$ —	$ 2,037	$ —	$ —	$ 196	$ —	$ 5	$ —	$ —	$ 2,263
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 11,007	$ 2,028	$ 13,271	$ 9,153	$ 277	$ 873	$ 23,801	$ 5,503	$ 2,337	$ 303	$ 15,000	$ 83,553
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 107	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 107
Loans:												
Ending balance	$ 15,016,858	$ 1,920,060	$ 2,585,940	$ 2,605,969	$ 206,901	$ 127,160	$ 2,002,118	$ 342,037	$ 161,267	$ 99,701		$ 25,068,011
Ending balance: purchased loans evaluated collectively for impairment	$ 5,939,604	$ 1,167,396	$ 881,635	$ 1,357,050	$ 19,366	$ 10,183	$ 488,868	$ 55,898	$ 41,503	$ 12,666		$ 9,974,169
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 16,534	$ 2,601	$ 3,417	$ —	$ —	$ —	$ —	$ —	$ —	$ —		$ 22,552
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 11,559	$ 6,779	$ 63,768	$ 64,830	$ —	$ 1,715	$ 35,567	$ 4,852	$ 914	$ —		$ 189,984
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 9,047,774	$ 742,774	$ 1,637,120	$ 1,184,089	$ 187,535	$ 115,262	$ 1,477,683	$ 281,287	$ 118,850	$ 87,035		$ 14,879,409
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 1,387	$ 510	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —		$ 1,897

The Bank evaluates reserves on unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, commercial business lines of credit and secured/unsecured lines of credit. In determining the level of reserve, the Bank determines the probability of funding for each portfolio segment using historical analysis regarding the amount of commitments that are typically outstanding over time. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. At June 30, 2013 and December 31, 2012, the reserve for unfunded commitments was $8.1 million.

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

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Average total loans for the period	$ 29,085,379	$ 24,059,408	$ 28,548,667	$ 23,404,138
Total loans at period end	$ 30,442,625	$ 25,068,011	$ 30,442,625	$ 25,068,011
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.01%	0.00%	0.01%	0.01%
Allowance for loan losses to:				
Total loans	0.49%	0.39%	0.49%	0.39%
Nonaccruing loans	236.1%	339.4%	236.1%	339.4%

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, 2013		Six Months Ended June 30, 2013		At June 30, 2013						
					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
Single Family (1-4 units):											
Purchased credit-impaired	$ 13,158	$ 302	$ 14,324	$ 569	$ 13,166	$ 15,145	$ 13,166	$ 15,145	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	17,991	35	18,789	63	26,754	27,542	11,734	12,194	15,020	15,348	1,535
Originated post June 30, 2010 impaired	1,534	1	2,945	4	446	448	—	—	446	448	348
	32,683	338	36,058	636	40,366	43,135	24,900	27,339	15,466	15,796	1,883
Home Equity Lines of Credit:											
Purchased credit-impaired	4,204	276	4,282	372	4,313	4,643	4,313	4,643	—	—	—
Purchased non-impaired that subsequently became impaired	6,027	—	5,284	9	8,994	9,086	2,621	2,668	6,373	6,418	824
Originated post June 30, 2010 impaired	1,626	—	1,096	—	2,160	2,165	—	—	2,160	2,165	8
	11,857	276	10,662	381	15,467	15,894	6,934	7,311	8,533	8,583	832
Multifamily (5+ units):											
Purchased credit-impaired	62,684	1,390	63,188	2,449	60,336	65,520	60,336	65,520	—	—	—
Purchased non-impaired that subsequently became impaired	2,097	—	2,113	—	2,081	2,211	—	—	2,081	2,211	134
	64,781	1,390	65,301	2,449	62,417	67,731	60,336	65,520	2,081	2,211	134
Commercial Real Estate:											
Purchased credit-impaired	49,407	2,351	53,907	4,006	38,642	44,507	25,071	28,601	13,571	15,906	1,106
Purchased non-impaired that subsequently became impaired	6,486	6	6,432	6	6,236	6,236	6,236	6,236	—	—	—
Originated post June 30, 2010 impaired	98	—	56	—	—	—	—	—	—	—	—
	55,991	2,357	60,395	4,012	44,878	50,743	31,307	34,837	13,571	15,906	1,106
Single Family Construction:											
Originated post June 30, 2010 impaired	3,448	37	3,448	73	3,448	3,448	—	—	3,448	3,448	26
Commercial Business:											
Purchased credit-impaired	31,180	675	32,095	1,442	31,144	35,239	28,154	32,064	2,990	3,175	171
Purchased non-impaired that subsequently became impaired	8,829	8	8,829	16	8,830	9,031	—	—	8,830	9,031	1,986
Originated post June 30, 2010 impaired	4,228	—	4,228	—	4,228	4,228	—	—	4,228	4,228	1,057
	44,237	683	45,152	1,458	44,202	48,498	28,154	32,064	16,048	16,434	3,214
Other Secured:											
Purchased credit-impaired	—	—	1,314	314	—	—	—	—	—	—	—
Unsecured Loans and Lines of Credit:											
Purchased credit-impaired	668	15	715	45	647	864	647	864	—	—	—
Total	$ 213,665	$ 5,096	$ 223,045	$ 9,368	$ 211,425	$ 230,313	$ 152,278	$ 167,935	$ 59,147	$ 62,378	$ 7,195

Impaired Loans:

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

Impaired Loans:

($ in thousands)	Three Months Ended June 30, 2012 Average Recorded Investment	Three Months Ended June 30, 2012 Interest Income Recognized	Six Months Ended June 30, 2012 Average Recorded Investment	Six Months Ended June 30, 2012 Interest Income Recognized
Single Family (1-4 units):				
Purchased credit-impaired	$ 12,201	$ 279	$ 12,531	$ 512
Purchased non-impaired that subsequently became impaired	19,148	176	21,173	245
Originated post June 30, 2010 impaired	926	—	926	—
	32,275	455	34,630	757
Home Equity Lines of Credit:				
Purchased credit-impaired	7,666	307	9,165	750
Purchased non-impaired that subsequently became impaired	2,908	—	3,130	—
Originated post June 30, 2010 impaired	471	—	475	—
	11,045	307	12,770	750
Multifamily (5+ units):				
Purchased credit-impaired	64,156	1,050	64,305	2,362
Purchased non-impaired that subsequently became impaired	2,612	—	2,624	—
	66,768	1,050	66,929	2,362
Commercial Real Estate:				
Purchased credit-impaired	70,934	1,539	70,327	3,033
Multifamily/Commercial Construction:				
Purchased credit-impaired	1,710	49	1,777	81
Commercial Business:				
Purchased credit-impaired	31,582	642	31,912	1,667
Other Secured:				
Purchased credit-impaired	4,840	96	5,083	199
Unsecured Loans and Lines of Credit:				
Purchased credit-impaired	965	27	1,120	60
Total	$ 220,119	$ 4,165	$ 224,548	$ 8,909

Troubled Debt Restructurings

The Bank restructures loans generally because of the borrower's financial difficulties, by granting concessions to reduce the interest rate or to defer payments. Loans that have been modified in troubled debt restructurings are generally reported as nonaccrual loans until at least six consecutive payments are received and the loan meets the Bank's other criteria for returning to accrual status.

The following tables summarize our loans modified by troubled debt restructurings, by portfolio segment and class, at June 30, 2013 and December 31, 2012:

Troubled Debt Restructurings:

($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
At June 30, 2013			
Single Family (1-4 units):			
Purchased non-impaired	$ 2,900	$ 7,098	$ 9,998
Purchased non-impaired that subsequently became impaired	7,968	—	7,968
Purchased credit-impaired	—	4,138	4,138
Originated post June 30, 2010 non-impaired	—	1,367	1,367
Originated post June 30, 2010 impaired	246	—	246
	11,114	12,603	23,717
Home Equity Lines of Credit:			
Purchased non-impaired	1,238	1,066	2,304
Purchased non-impaired that subsequently became impaired	5,943	—	5,943
Purchased credit-impaired	—	172	172
Originated post June 30, 2010 impaired	2,160	—	2,160
	9,341	1,238	10,579
Multifamily (5+ units):			
Purchased non-impaired that subsequently became impaired	2,081	—	2,081
Purchased credit-impaired	503	1,602	2,105
	2,584	1,602	4,186
Commercial Real Estate:			
Purchased non-impaired	—	885	885
Purchased non-impaired that subsequently became impaired	6,236	—	6,236
Purchased credit-impaired	—	1,816	1,816
Originated post June 30, 2010 non-impaired	393	—	393
	6,629	2,701	9,330
Commercial Business:			
Purchased non-impaired	665	76	741
Purchased non-impaired that subsequently became impaired	8,490	—	8,490
Purchased credit-impaired	—	546	546
Originated post June 30, 2010 impaired	4,228	—	4,228
	13,383	622	14,005
Total	$ 43,051	$ 18,766	$ 61,817

Troubled Debt Restructurings:

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

During the three and six months ended June 30, 2013 and 2012, troubled debt restructurings were primarily modified through payment deferrals, extensions of the maturity date or reductions in interest rate, both temporary and permanent. The following table summarizes the recorded investment in loans modified in troubled debt restructurings, by portfolio segment and class, for modifications made during the periods indicated:

Troubled Debt Restructurings:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Single Family (1-4 units):				
Purchased non-impaired	$ —	$ —	$ 1,119	$ —
Purchased non-impaired that subsequently became impaired	4,952	908	5,712	1,697
Purchased credit-impaired	—	835	—	835
Originated post June 30, 2010 impaired	—	844	—	844
	4,952	2,587	6,831	3,376
Home Equity Lines of Credit:				
Purchased non-impaired	1,474	—	1,474	—
Purchased non-impaired that subsequently became impaired	3,673	—	3,673	836
	5,147	—	5,147	836
Multifamily (5+ units):				
Purchased credit-impaired	—	—	545	—
Commercial Real Estate:				
Originated post June 30, 2010 non-impaired	394	—	394	—
Commercial Business:				
Purchased non-impaired	—	—	—	876
Purchased non-impaired that subsequently became impaired	—	—	8,681	—
Originated post June 30, 2010 impaired	—	—	4,228	—
	—	—	12,909	876
Total	$ 10,493	$ 2,587	$ 25,826	$ 5,088

The majority of the Bank’s restructured loans are considered impaired and are evaluated individually for impairment under ASC 310-10-35. The resulting impairment, if any, would have an impact on the allowance for loan losses as a specific reserve and be measured under the same criteria as all other impaired loans. For those restructured loans that are purchased credit-impaired, any required allowance is evaluated based upon ASC 310-30. Certain restructured accruing loans may be deemed non-impaired and would therefore be evaluated for estimated losses under ASC 450. No loans defaulted during the three and six months ended June 30, 2013 or 2012 that were modified in the previous 12 months.

Note 4. Mortgage Banking Activities

The recorded value of mortgage servicing rights ("MSRs") is amortized in proportion to, and over the period of, estimated net servicing income. The Bank values MSRs by stratifying loans sold each year by property type, loan index for adjustable-rate mortgages and interest rate for loans fixed for more than three years. Approximately 99% of the loans serviced for others by the Bank at June 30, 2013 and December 31, 2012 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)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Loans originated	$ 5,310,194	$ 3,963,579	$ 8,856,052	$ 7,120,105
Single family loans originated	$ 2,845,928	$ 2,318,492	$ 4,907,836	$ 3,933,739
Loans sold:				
Flow sales	$ 206,931	$ 281,382	$ 563,824	$ 555,146
Bulk sales	738,474	154,404	1,599,721	432,690
Total loans sold	$ 945,405	$ 435,786	$ 2,163,545	$ 987,836
Gain on sale of loans:				
Amount	$ 8,779	$ 4,754	$ 34,769	$ 8,563
Gain as percentage of loans sold	0.93%	1.09%	1.61%	0.87%

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

($ in thousands)	At or for the Three Months Ended June 30, 2013	At or for the Three Months Ended June 30, 2012	At or for the Six Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2012
Loans serviced for others:				
Beginning balance	$ 5,433,040	$ 3,650,729	$ 4,580,859	$ 3,381,385
Loans sold	945,405	435,786	2,163,545	987,836
Repayments	(340,390)	(259,434)	(690,475)	(496,032)
Servicing transferred	—	—	—	(43,158)
Loans repurchased	(2,505)	—	(18,379)	(2,950)
Ending balance	$ 6,035,550	$ 3,827,081	$ 6,035,550	$ 3,827,081
MSRs:				
Beginning balance	$ 23,142	$ 17,466	$ 17,786	$ 17,269
Additions due to new loans sold	7,982	3,154	16,126	7,604
Amortization expense	(2,228)	(1,976)	(4,909)	(3,687)
Provision for valuation allowance	—	(1,229)	—	(3,769)
Reductions due to repurchases	(14)	—	(121)	(2)
Ending balance	$ 28,882	$ 17,415	$ 28,882	$ 17,415
Estimated fair value of MSRs	$ 42,496	$ 21,516	$ 42,496	$ 21,516
MSRs as a percent of loans serviced	0.48%	0.46%	0.48%	0.46%
Weighted average servicing fee collected for the period (annualized)	0.27%	0.27%	0.26%	0.27%
MSRs as a multiple of weighted average servicing fee	1.80x	1.70x	1.83x	1.69x

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

($ in thousands)	At or for the Three Months Ended June 30, 2013	At or for the Three Months Ended June 30, 2012	At or for the Six Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2012
Valuation allowance:				
Beginning balance	$ 3,130	$ 2,382	$ 4,240	$ 1,668
Provision	—	1,229	—	3,769
Write-down due to permanent impairment	(701)	(855)	(1,811)	(2,681)
Ending balance	$ 2,429	$ 2,756	$ 2,429	$ 2,756

The following table presents servicing fees for the periods indicated:

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Contractually specified servicing fees	$ 3,527	$ 2,501	$ 6,544	$ 4,848
Late charges and ancillary fees, net of costs	$ 487	$ 134	$ 1,026	$ 324

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)	June 30, 2013	December 31, 2012
Fair value of MSRs	$ 42,496	$ 22,576
Weighted average prepayment speed (CPR)	12.7%	27.8%
Impact on fair value of 10% adverse change	$ (1,987)	$ (1,180)
Impact on fair value of 20% adverse change	$ (3,742)	$ (2,206)
Weighted average discount rate	11.7%	11.8%
Impact on fair value of 10% adverse change	$ (1,219)	$ (520)
Impact on fair value of 20% adverse change	$ (2,368)	$ (1,010)

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

Note 5. Variable Interest Entities

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

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

The Bank has variable interests in several VIEs related to First Republic REMICs that were formed in 2000 through 2002. The Bank has purchased various tranches of these securitizations. As of June 30, 2013 and December 31, 2012, the Bank consolidated four of the REMICs for which it is the primary beneficiary and also held variable interests of less significance in one other REMIC sponsored by the Bank, which is not consolidated.

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

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

	June 30, 2013		
($ in thousands)	**VIEs that we do not consolidate**	**VIEs that we consolidate**	**Total**
Assets:			
Investment securities held-to-maturity	$ 1,623	$ —	$ 1,623
Loans	—	85,955	85,955
Tax credit investments	534,554	—	534,554
MSRs	28,882	—	28,882
Total Assets	565,059	85,955	651,014
Liabilities:			
Unfunded commitments - tax credit investments	293,724	—	293,724
Debt	—	49,126	49,126
Total Liabilities	293,724	49,126	342,850
Net Assets	$ 271,335	$ 36,829	$ 308,164

	December 31, 2012		
($ in thousands)	**VIEs that we do not consolidate**	**VIEs that we consolidate**	**Total**
Assets:			
Investment securities held-to-maturity	$ 1,135	$ —	$ 1,135
Loans	—	94,093	94,093
Tax credit investments	484,548	—	484,548
MSRs	17,786	—	17,786
Total Assets	503,469	94,093	597,562
Liabilities:			
Unfunded commitments - tax credit investments	286,381	—	286,381
Debt	—	56,450	56,450
Total Liabilities	286,381	56,450	342,831
Net Assets	$ 217,088	$ 37,643	$ 254,731

The Bank's exposure to loss with respect to the consolidated VIEs is limited to the investment in the securities purchased of approximately $36.8 million at June 30, 2013 and $37.6 million at December 31, 2012. The debt holders of the REMICs have no recourse to the Bank. The Bank's exposure to loss with respect to VIEs that are not consolidated would be equal to the Bank's investment in these assets of $565.1 million at June 30, 2013 and $503.5 million at December 31, 2012.

Note 6. Goodwill and Other Intangible Assets

During 2012, the Bank recognized customer relationship intangible assets of $42.5 million and goodwill of $81.9 million in connection with the Luminous Capital Holdings, LLC ("Luminous") asset purchase. The entire amount of goodwill from Luminous was allocated to the wealth management segment.

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

	June 30, 2013		December 31, 2012	
($ in thousands)	**Gross Carrying Value**	**Accumulated Amortization**	**Gross Carrying Value**	**Accumulated Amortization**
Amortized intangible assets:				
MSRs, before valuation allowance	$ 55,653	$ (24,342)	$ 41,459	$ (19,433)
Core deposit intangibles	87,550	(44,499)	87,550	(38,167)
Customer relationship intangibles	83,940	(24,498)	83,940	(17,331)
Total amortized intangibles	$ 227,143	$ (93,339)	$ 212,949	$ (74,931)
Goodwill	$ 106,549		$ 106,549	
Trade name	$ 42,900		$ 42,900	

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

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2011	$ 24,604	$ —	$ 24,604
Additions due to Luminous asset purchase	—	81,945	81,945
Balance as of December 31, 2012 and June 30, 2013	$ 24,604	$ 81,945	$ 106,549

The following table presents the estimated future amortization for intangible assets as of June 30, 2013:

($ in thousands)	MSRs	Core deposit intangibles	Customer relationship intangibles
July 1 - December 31, 2013	$ 4,058	$ 5,896	$ 6,751
2014	6,792	10,492	12,253
2015	4,427	8,755	10,588
2016	3,038	7,018	8,923
2017	1,941	5,282	7,258
2018	$ 1,564	$ 3,545	$ 5,593

Note 7. Short-Term Borrowings and Long-Term Debt

The following table presents the outstanding balances and interest expense on short-term borrowings and long-term debt at the dates or for the periods indicated:

	Balances as of		Interest Expense			
			Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	June 30, 2013	December 31, 2012	2013	2012	2013	2012
Short-term borrowings:						
Federal funds purchased	$ 120,000	$ —	$ 35	$ —	$ 69	$ —
FHLB advances	250,000	75,000	295	—	698	—
Total	370,000	75,000	330	—	767	—
Long-term debt:						
FHLB advances	4,350,000	3,150,000	15,833	14,050	29,843	26,115
Subordinated notes	—	—	—	550	—	1,106
Total	4,350,000	3,150,000	15,833	14,600	29,843	27,221
Other long-term debt:						
Debt related to VIE	49,126	56,450	235	252	475	532
Total borrowings	$ 4,769,126	$ 3,281,450	$ 16,398	$ 14,852	$ 31,085	$ 27,753

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $249.3 million and $162.3 million at June 30, 2013 and December 31, 2012, respectively.

Note 8. Derivative Financial Instruments

In accordance with ASC 815, "Derivatives and Hedging," the Bank recognizes all derivatives on the balance sheet at fair value. The Bank accounts for changes in the fair value of a derivative depending on the intended use of the derivative and its resulting designation under specified criteria.

The Bank has derivative assets and liabilities consisting of foreign exchange contracts executed with customers; the Bank offsets the customer exposure with another financial institution counterparty 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 of derivatives at the dates indicated:

($ in thousands)	June 30, 2013 Notional or Contractual Amount	June 30, 2013 Fair Value Derivative Assets (1)	June 30, 2013 Fair Value Derivative Liabilities (2)	December 31, 2012 Notional or Contractual Amount	December 31, 2012 Fair Value Derivative Assets (1)	December 31, 2012 Fair Value Derivative Liabilities (2)
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	$ 540,173	$ 14,623	$ 14,106	$ 519,669	$ 8,066	$ 7,406
Interest rate contracts with borrowers	$ 159,260	—	5,337	$ 145,376	44	140
Forward loan sale commitments	$ 212,428	5,337	—	$ 349,264	195	99
Total		$ 19,960	$ 19,443		$ 8,305	$ 7,645

(1) Included in prepaid expenses and other assets on the balance sheet.

(2) Included in other liabilities on the balance sheet.

The credit risk associated with these derivative instruments is the risk of non-performance by the counterparty to the contracts. The Bank's counterparty credit risk is equal to the amount reported as a derivative asset on the Bank's balance sheet. To mitigate this risk, the Bank enters into master netting and bilateral collateral agreements with certain counterparties. These agreements allow the Bank to settle its derivative contracts with such counterparties on a net basis and to offset the net derivative position with the related collateral in the event of default. Management does not currently anticipate non-performance by any of the counterparties.

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

	June 30, 2013							
	Total	Contracts not Subject to Master Netting Arrangements	Contracts Subject to Master Netting Arrangements					
						Gross Amounts Not Offset on the Balance Sheet		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Derivative Amount	Cash Collateral	Net Amount
Derivative assets:								
Foreign exchange contracts	$ 14,623	$ 9,619	$ 5,004	$ —	$ 5,004	$ 5,004	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 14,106	$ 4,543	$ 9,563	$ —	$ 9,563	$ 5,004	$ 4,559	$ —

	December 31, 2012							
	Total	Contracts not Subject to Master Netting Arrangements	Contracts Subject to Master Netting Arrangements					
						Gross Amounts Not Offset on the Balance Sheet		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Derivative Amount	Cash Collateral	Net Amount
Derivative assets:								
Foreign exchange contracts	$ 8,066	$ 4,818	$ 3,248	$ —	$ 3,248	$ 3,248	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 7,406	$ 2,325	$ 5,081	$ —	$ 5,081	$ 3,248	$ 1,833	$ —

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2013	2012	2013	2012
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$ (517)	$ (517)	$ (1,035)	$ (1,035)

During the next twelve months, the Bank estimates that $1.1 million will be reclassified from accumulated other comprehensive income into interest expense for terminated hedges. The total amount to be reclassified from accumulated other comprehensive income into interest expense for terminated hedges is $1.3 million. These amounts will be reclassified through the first quarter of 2015.

Note 9. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale and derivative instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment, MSRs and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets.

Fair Value Hierarchy

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

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Under ASC 820, the Bank bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Bank's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value. Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgment. Changes in the assumptions used could significantly affect these estimates. The Bank has not adjusted fair values to reflect changes in market conditions subsequent to June 30, 2013 and December 31, 2012; therefore, estimates presented herein are not necessarily indicative of amounts that could be realized in a current transaction.

The estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses. The fair value summary does not represent an estimate of the overall market value of the Bank as a going concern, which would take into account future business opportunities.

The Bank uses the following methods and assumptions to estimate the fair value of each major classification of financial instruments:

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

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

Investment securities: The Bank's marketable equity securities are valued using quoted market prices from the active exchange on which the securities are traded. For most other investment securities, the Bank used quoted prices obtained through a third-party valuation source. Management reviewed the valuation techniques and assumptions used by the provider and determined that widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured were utilized. In some instances, prices were obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities were determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Loans: The carrying amount of loans is net of unamortized deferred loan fees or costs, unamortized premiums or discounts and the allowance for loan losses. To estimate fair value of the Bank's loans, which are primarily adjustable-rate and intermediate-fixed rate real estate secured mortgages, the Bank segments each loan collateral type into categories based on fixed or adjustable interest rate terms (index, margin, current rate and time to next adjustment), maturity and estimated credit risk.

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

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

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

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

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

FHLB stock: FHLB stock has no trading market, is required as part of membership and is redeemable at par; therefore, its fair value is presented at cost.

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

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

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

Debt related to VIE: The fair value is based on the most recent quoted market price for these issues.

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

Recurring Fair Value Measurements

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

	Fair Value Measurements on a Recurring Basis June 30, 2013			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ —	$ —	$ 47,455	$ 47,455
Residential agency MBS	—	123,636	—	123,636
Residential non-agency MBS	—	16,055	—	16,055
Commercial MBS	—	535,001	—	535,001
Collateralized loan obligations	—	510,698	—	510,698
Marketable equity securities	985	—	—	985
Derivative assets	—	19,960	—	19,960
Total	$ 985	$ 1,205,350	$ 47,455	$ 1,253,790
Liabilities:				
Derivative liabilities	$ —	$ 19,443	$ —	$ 19,443

	Fair Value Measurements on a Recurring Basis December 31, 2012			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ —	$ —	$ 47,459	$ 47,459
Residential agency MBS	—	137,386	—	137,386
Residential non-agency MBS	—	17,661	—	17,661
Commercial MBS	—	589,661	—	589,661
Collateralized loan obligations	—	167,500	—	167,500
Marketable equity securities	766	—	—	766
Derivative assets	—	8,305	—	8,305
Total	$ 766	$ 920,513	$ 47,459	$ 968,738
Liabilities:				
Derivative liabilities	$ —	$ 7,645	$ —	$ 7,645

There were no transfers in or out of Levels 1 and 2 for the three and six months ended June 30, 2013 and 2012.

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

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Taxable municipal securities available-for-sale:				
Balance at beginning of period	$ 47,459	$ —	$ 47,459	$ —
Purchases	—	47,214	—	47,214
Unrealized losses included in other comprehensive income	(5)	(713)	(7)	(713)
Accretion included in interest income	1	—	3	—
Balance at end of period	$ 47,455	$ 46,501	$ 47,455	$ 46,501

There were no transfers in or out of Level 3 assets measured on a recurring basis during the three and six months ended June 30, 2013 and 2012.

Nonrecurring Fair Value Measurements

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. Nonrecurring fair value adjustments of MSRs result from the application of lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of real estate secured mortgages represent a write-down based on the fair value of the underlying collateral of the loan. The Bank did not record any nonrecurring fair value adjustments during the three and six months ended June 30, 2013.

For assets measured at fair value on a nonrecurring basis that were held on the balance sheet at December 31, 2012, the table below provides the fair value hierarchy levels and the carrying values of the related individual assets or portfolios.

	Fair Value Measurements on a Nonrecurring Basis December 31, 2012			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$ —	$ 760	$ —	$ 760
MSRs	—	—	13,608	13,608
Total	$ —	$ 760	$ 13,608	$ 14,368

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

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Assets:				
MSRs	$ —	$ (1,229)	$ —	$ (3,769)

Level 3 Inputs

The table and discussion below provide information about the significant unobservable inputs in our recurring and nonrecurring Level 3 fair value measurements at the dates indicated:

	June 30, 2013			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Taxable municipal securities available-for-sale	$ 47,455	Discounted cash flow	Liquidity risk yield premium	50 bps

	December 31, 2012			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Taxable municipal securities available-for-sale	$ 47,459	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 13,608	Present value of estimated future servicing income	Estimated prepayment rate Discount rate	31.6% 10.9%

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

The Bank calculates the fair value of MSRs on a quarterly basis. The Bank's management reviews the analysis and considers historical trends in conjunction with the inputs listed above. For further discussion of the sensitivity analysis and interrelationship of the unobservable inputs used in the valuation, refer to Note 4, "Mortgage Banking Activities."

Fair Value of Financial Instruments

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

($ in thousands)	June 30, 2013 Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:				
Cash and cash equivalents	$ 591,738	$ 591,738	$ —	$ —
Securities purchased under agreements to resell	163	163	—	—
Investment securities held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	2,547,548	—	2,439,000	133,203
Tax-exempt nonprofit debentures	191,333	—	—	185,528
Taxable municipal securities	53,201	—	62,227	—
Residential non-agency MBS	1,623	—	1,709	—
Loans, net:				
Real estate secured mortgages	26,522,717	—	17,699,256	8,701,794
Other loans	3,771,601	—	—	3,536,610
Loans held for sale	53,284	—	53,482	—
Investments in life insurance	733,958	—	—	733,958
MSRs	28,882	—	—	42,496
FHLB stock	249,335	—	—	249,335
Liabilities:				
Deposits:				
Deposits with no maturity	24,770,173	—	24,770,173	—
Certificates of deposit	3,458,468	—	—	3,474,049
Short-term borrowings	370,000	—	370,000	—
Long-term FHLB advances	4,350,000	—	4,373,653	—
Debt related to VIE	$ 49,126	$ —	$ 47,171	$ —

($ in thousands)	December 31, 2012 Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:				
Cash and cash equivalents	$ 602,264	$ 602,264	$ —	$ —
Securities purchased under agreements to resell	30,901	30,901	—	—
Investment securities held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	2,269,526	—	2,332,472	143,043
Tax-exempt nonprofit debentures	221,306	—	—	229,984
Taxable municipal securities	53,222	—	66,715	—
Residential non-agency MBS	1,135	—	1,184	—
Loans, net:				
Real estate secured mortgages	24,532,143	—	16,620,949	7,854,663
Other loans	3,324,727	—	—	3,146,725
Loans held for sale	204,631	—	206,586	—
Investments in life insurance	701,672	—	—	701,672
MSRs	17,786	—	—	22,576
FHLB stock	162,291	—	—	162,291
Liabilities:				
Deposits:				
Deposits with no maturity	24,122,217	—	24,122,217	—
Certificates of deposit	2,966,030	—	—	3,019,186
Short-term borrowings	75,000	—	75,000	—
Long-term FHLB advances	3,150,000	—	3,264,193	—
Debt related to VIE	$ 56,450	$ —	$ 52,595	$ —

Note 10. Preferred Stock

At June 30, 2013, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 689,525 shares were issued and outstanding. The preferred stock have a liquidation preference of $1,000 per share ($25 per depositary share). The following table presents the issued and outstanding shares for each series of the Bank's preferred stock at the dates indicated:

(in thousands, except share amounts)	June 30, 2013	December 31, 2012
6.70% Noncumulative Perpetual Series A Preferred Stock - 199,525 shares authorized, issued and outstanding at June 30, 2013 and December 31, 2012, respectively	$ 199,525	$ 199,525
6.20% Noncumulative Perpetual Series B Preferred Stock - 150,000 shares authorized, issued and outstanding at June 30, 2013 and December 31, 2012, respectively	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock - 172,500 shares authorized; 150,000 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock - 200,000 shares authorized; 190,000 shares and no shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	190,000	—
Total	$ 689,525	$ 499,525

The following table presents dividends on preferred stock for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2013	2012	2013	2012
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 3,342	$ 3,342	$ 6,684	$ 5,793
6.20% Noncumulative Perpetual Series B Preferred Stock	2,325	749	4,650	749
5.625% Noncumulative Perpetual Series C Preferred Stock	2,110	—	4,219	—
5.50% Noncumulative Perpetual Series D Preferred Stock	1,929	—	1,929	—
	$ 9,706	$ 4,091	$ 17,482	$ 6,542

Note 11. Accumulated Other Comprehensive Income

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

($ in thousands)	Securities Available-for-Sale	Cash Flow Hedges	Total	Securities Available-for-Sale	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012			
Beginning balance	**$ 15,102**	**$ (2,207)**	**$ 12,895**	**$ 3,690**	**$ (2,504)**	**$ 1,186**	
Net unrealized gain on securities available-for-sale	4,365	—	4,365	24,824	—	24,824	
Related tax effect	(1,855)	—	(1,855)	(10,550)	—	(10,550)	
Reclassification of gain on securities available-for-sale to net income	(607)	—	(607)	(1,220)	—	(1,220)	Other income
Related tax effect	257	—	257	518	—	518	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	517	517	—	1,035	1,035	Interest on deposits
Related tax effect	—	(219)	(219)	—	(440)	(440)	Provision for income taxes
Other comprehensive income	2,160	298	2,458	13,572	595	14,167	
Ending balance	**$ 17,262**	**$ (1,909)**	**$ 15,353**	**$ 17,262**	**$ (1,909)**	**$ 15,353**	
	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013			
Beginning balance	**$ 29,240**	**$ (1,016)**	**$ 28,224**	**$ 32,690**	**$ (1,314)**	**$ 31,376**	
Net unrealized loss on securities available-for-sale	(16,512)	—	(16,512)	(22,516)	—	(22,516)	
Related tax effect	7,018	—	7,018	9,572	—	9,572	
Reclassification of gain on securities available-for-sale to net income	(1,341)	—	(1,341)	(1,341)	—	(1,341)	Other income
Related tax effect	570	—	570	570	—	570	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	517	517	—	1,035	1,035	Interest on deposits
Related tax effect	—	(220)	(220)	—	(440)	(440)	Provision for income taxes
Other comprehensive income (loss)	(10,265)	297	(9,968)	(13,715)	595	(13,120)	
Ending balance	**$ 18,975**	**$ (719)**	**$ 18,256**	**$ 18,975**	**$ (719)**	**$ 18,256**	

Note 12. Earnings Per Common Share ("EPS")

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

(in thousands, except per share amounts)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Basic EPS:				
Net income	$ 113,719	$ 97,907	$ 236,027	$ 189,665
Less: Dividends on preferred stock	9,706	4,091	17,482	6,542
Redemption of FRPCC preferred stock	—	13,200	—	13,200
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Weighted average common shares outstanding	131,102	129,890	130,975	129,694
Net income per common share-basic	$ 0.79	$ 0.62	$ 1.67	$ 1.31
Diluted EPS:				
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Weighted average shares:				
Common shares outstanding	131,102	129,890	130,975	129,694
Dilutive effect of stock options	4,338	4,081	4,282	4,111
Dilutive effect of restricted stock awards, restricted stock units and performance share units	155	31	171	11
Weighted average diluted common shares outstanding	135,595	134,002	135,428	133,816
Net income per common share-diluted	$ 0.77	$ 0.60	$ 1.61	$ 1.27

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

(in actuals)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Stock options	—	241,500	—	254,500
Restricted stock awards	—	—	—	—
Restricted stock units and performance share units	3	—	30	—

The Bank began granting performance share units in the second quarter of 2013.

Note 13. Segment Reporting

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

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

The wealth management segment consists of the investment management activities of FRIM, which manages assets for individuals and institutions in equities, fixed income, balanced and alternative investment accounts. The wealth management segment also includes First Republic Trust Company, a division of the Bank that offers personal trust and custody services; FRTC Delaware, a wholly-owned subsidiary of the Bank that provides trust and custody services; the Bank's mutual fund activities through third-party providers; the brokerage activities of FRSC; and the Bank's foreign exchange activities conducted on behalf of customers. In addition, the wealth management segment is allocated a portion of interest income that is earned for deposits gathered by wealth management professionals, including sweep deposit accounts.

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

The following tables present the operating results, goodwill and total assets of the Bank's two reportable segments, as well as any reconciling items, at the dates or for the periods indicated:

	At or for the Three Months Ended June 30, 2013			
($ in thousands)	**Commercial Banking**	**Wealth Management**	**Reconciling Items**	**Total**
Net interest income	$ 292,576	$ 10,516	$ —	$ 303,092
Provision for loan losses	12,653	—	—	12,653
Noninterest income	24,227	40,045	(2,022)	62,250
Amortization of intangibles	3,112	3,531	—	6,643
Other noninterest expense	163,757	31,761	(2,022)	193,496
Income before provision for income taxes	137,281	15,269	—	152,550
Provision for income taxes	32,298	6,533	—	38,831
Segment net income	$ 104,983	$ 8,736	$ —	$ 113,719
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 37,104,702	$ 294,632	$ (86,593)	$ 37,312,741

	At or for the Three Months Ended June 30, 2012			
($ in thousands)	**Commercial Banking**	**Wealth Management**	**Reconciling Items**	**Total**
Net interest income	$ 279,736	$ 10,861	$ —	$ 290,597
Provision for loan losses	14,875	—	—	14,875
Noninterest income	13,234	24,842	(1,437)	36,639
Amortization of intangibles	3,545	1,625	—	5,170
Other noninterest expense	144,153	23,669	(1,437)	166,385
Income before provision for income taxes	130,397	10,409	—	140,806
Provision for income taxes	37,948	4,326	—	42,274
Net income before noncontrolling interests	92,449	6,083	—	98,532
Less: Net income from noncontrolling interests	625	—	—	625
Segment net income	$ 91,824	$ 6,083	$ —	$ 97,907
Goodwill	$ 24,604	$ —	$ —	$ 24,604
Total Assets	$ 30,912,560	$ 125,088	$ (50,647)	$ 30,987,001

($ in thousands)	At or for the Six Months Ended June 30, 2013 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 579,363	$ 21,778	$ —	$ 601,141
Provision for loan losses	19,131	—	—	19,131
Noninterest income	63,366	74,966	(3,814)	134,518
Amortization of intangibles	6,332	7,167	—	13,499
Other noninterest expense	326,180	61,708	(3,814)	384,074
Income before provision for income taxes	291,086	27,869	—	318,955
Provision for income taxes	71,008	11,920	—	82,928
Segment net income	$ 220,078	$ 15,949	$ —	$ 236,027
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 37,104,702	$ 294,632	$ (86,593)	$ 37,312,741

($ in thousands)	At or for the Six Months Ended June 30, 2012 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 547,193	$ 24,672	$ —	$ 571,865
Provision for loan losses	29,727	—	—	29,727
Noninterest income	25,966	46,121	(2,803)	69,284
Amortization of intangibles	7,199	3,259	—	10,458
Other noninterest expense	282,010	46,645	(2,803)	325,852
Income before provision for income taxes	254,223	20,889	—	275,112
Provision for income taxes	75,106	8,803	—	83,909
Net income before noncontrolling interests	179,117	12,086	—	191,203
Less: Net income from noncontrolling interests	1,538	—	—	1,538
Segment net income	$ 177,579	$ 12,086	$ —	$ 189,665
Goodwill	$ 24,604	$ —	$ —	$ 24,604
Total Assets	$ 30,912,560	$ 125,088	$ (50,647)	$ 30,987,001

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

Note 14. Concentration of Deposits

At June 30, 2013, approximately 1% of our deposit relationships hold approximately 41% of total deposits, compared to 40% at December 31, 2012.

Note 15. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the quarter ended June 30, 2013. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the three and six months ended June 30, 2013 or disclosure in the notes to the financial statements.

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

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors" in this Quarterly Report or under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 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 rate and credit risk;
- Descriptions of plans or objectives of management for future operations, products or services;
- Our ability to maintain and follow high underwriting standards;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Geographic concentration of our operations;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance in any new offices or the integration of newly acquired activities;
- Demand for our products and services;
- Projections about loan premiums or discounts and 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;

- The implementation of the final capital rules regarding the Basel Committee's December 2010 framework ("Basel III") and changes to risk-weighted assets;

- Proposed legislative and regulatory action affecting us and the financial services industry, including increased compliance costs, limitations on activities and requirements to hold additional capital;

- The impact of new accounting standards;

- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments;

- The expiration of unlimited federal deposit insurance on December 31, 2012; 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 2012 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.

Selected Financial Data

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

($ in thousands, except per share amounts)	At or for the Three Months Ended June 30, 2013	2012	At or for the Six Months Ended June 30, 2013	2012
Selected Financial Data:				
Interest income	$ 332,744	$ 322,127	$ 656,490	$ 631,283
Interest expense	29,652	31,530	55,349	59,418
Net interest income	303,092	290,597	601,141	571,865
Provision for loan losses	12,653	14,875	19,131	29,727
Net interest income after provision for loan losses	290,439	275,722	582,010	542,138
Noninterest income	62,250	36,639	134,518	69,284
Noninterest expense	200,139	171,555	397,573	336,310
Net income	113,719	97,907	236,027	189,665
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Selected Ratios:				
Basic earnings per common share ("EPS")	$ 0.79	$ 0.62	$ 1.67	$ 1.31
Diluted EPS	$ 0.77	$ 0.60	$ 1.61	$ 1.27
Diluted EPS (non-GAAP) [(1)]	$ 0.64	$ 0.50	$ 1.37	$ 0.99
Net income to average assets [(2)]	1.26%	1.29%	1.34%	1.29%
Net income available to common shareholders to average common equity [(2)]	13.53%	12.07%	14.54%	12.95%
Average total equity to average total assets	10.33%	9.79%	10.16%	9.80%
Dividends per common share	$ 0.12	$ —	$ 0.12	$ —
Dividend payout ratio	15.6%	—%	7.4%	—%
Book value per common share	$ 23.50	$ 20.74	$ 23.50	$ 20.74
Tangible book value per common share	$ 21.59	$ 19.58	$ 21.59	$ 19.58
Net interest margin [(2)]	3.79%	4.27%	3.83%	4.32%
Net interest margin (non-GAAP) [(1), (2)]	3.37%	3.48%	3.39%	3.56%
Efficiency ratio [(3)]	54.8%	52.4%	54.0%	52.5%
Efficiency ratio (non-GAAP) [(1), (3)]	58.9%	60.5%	58.1%	60.1%
Tier 1 leverage ratio	9.83%	9.55%	9.83%	9.55%
Tier 1 common equity ratio [(4)]	10.87%	12.03%	10.87%	12.03%
Tier 1 risk-based capital ratio	13.52%	13.68%	13.52%	13.68%
Total risk-based capital ratio	14.12%	14.17%	14.12%	14.17%
Nonperforming assets to total assets	0.17%	0.10%	0.17%	0.10%

(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) Ratios are annualized.

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

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

Introduction

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

Key Factors Affecting Our Business and Financial Statements

Purchase Accounting Accretion and Amortization

We recorded discounts on loans and premiums on certificates of deposit ("CDs"), which are accreted to net interest income over the lives of the related loans and deposits. The following table presents the remaining balances of the loans and deposits that were impacted by purchase accounting at the dates indicated:

($ in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Assets:			
Acquired loans (unpaid principal balance)	$ 7,545,081	$ 8,928,201	$ 10,603,980
Purchase accounting discount	(270,395)	(331,709)	(409,439)
Total	$ 7,274,686	$ 8,596,492	$ 10,194,541
Liabilities:			
Acquired CDs	$ 507,256	$ 694,495	$ 883,250
Purchase accounting premium	12,779	19,255	28,321
Total	$ 520,035	$ 713,750	$ 911,571

The following table presents the impact of purchase accounting from the reestablishment of First Republic Bank ("First Republic" or the "Bank") as an independent institution, including loan discount accretion, liability premium amortization, accretion of discounts on loan commitments and amortization of intangible assets included in our income statement for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2013	2012	2013	2012
Accretion/amortization to net interest income:				
Loans	$ 30,484	$ 45,768	$ 61,318	$ 83,921
Deposits	3,036	5,715	6,476	13,173
Borrowings	—	686	—	1,366
Total	$ 33,520	$ 52,169	$ 67,794	$ 98,460
Noninterest income:				
Loan commitments	$ —	$ 15	$ —	$ 84
Amortization to noninterest expense:				
Intangible assets	$ 4,608	$ 5,170	$ 9,377	$ 10,458

New Capital Rules

In July 2013, the FDIC, our primary federal regulator, approved a final rule (the "New Capital Rules") that was issued jointly by the federal banking agencies, which establishes a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including us, compared to the current U.S. risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel Committee's 1988 "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the

"Dodd-Frank Act"), including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules. The New Capital Rules are effective for us on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

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

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

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

The New Capital Rules also introduce a new "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. Thus, when fully phased-in on January 1, 2019, the Bank will be required to maintain this additional capital conservation buffer of 2.5% of CET1, resulting in the following minimum capital ratios:

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

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that (i) mortgage servicing rights ("MSRs"), (ii) deferred tax assets ("DTAs") arising from temporary differences that could not be realized through net operating loss carrybacks and (iii) significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the current capital standards, the effects of accumulated other comprehensive income or loss ("AOCI") items included in shareholders' equity (for example, unrealized gains or losses on securities held in the available-for-sale portfolio) under U.S. GAAP are reversed for the purposes of determining regulatory capital ratios. Under the New Capital Rules, the effects of certain AOCI items are not excluded; however, non-advanced approaches banking organizations, including the Bank, may make a one-time permanent election to continue to exclude these items. This election must be made concurrently with the first filing of certain of the Bank's periodic regulatory reports in the beginning of 2015. At this time, the Bank expects to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of its securities portfolio.

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

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

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

Based on our initial review and our current interpretation of the New Capital Rules, we believe that the Bank would meet all capital requirements under the New Capital Rules on a fully phased-in basis as if such requirements were effective as of June 30, 2013. Management estimates that our ratio of CET1 to risk-weighted assets (under the fully phased-in New Capital Rules) would be approximately 10.7% at June 30, 2013, reflecting our good faith estimate of the computation of CET1 and our risk-weighted assets under our understanding of the methodologies in the New Capital Rules.

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

The New Capital Rules adopted in July 2013 do not address the proposed Liquidity Coverage Ratio test and Net Stable Funding Ratio test called for by the proposed Basel III framework. See our Annual Report on Form 10-K for the year ended December 31, 2012 under "Item 1. Business-Supervision and Regulation-Liquidity Requirements" for more information on these topics.

Results of Operations –
Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Overview

Our total assets were $37.3 billion at June 30, 2013 and $34.4 billion at December 31, 2012, a 9% increase.

At June 30, 2013, loans outstanding, including loans held for sale, were $30.7 billion, an 8% increase compared to $28.5 billion at December 31, 2012, and a 20% increase from June 30, 2012. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $19.7 billion and represented 64% of total loans at June 30, 2013.

Loan origination volume increased to $5.3 billion for the second quarter of 2013, compared to $4.0 billion for the second quarter of 2012, an increase of 34%. Loan originations increased due to low interest rates, an increased level of home purchases and refinances and the addition of new lending personnel.

Total deposits were $28.2 billion at June 30, 2013, an increase of 4% compared to December 31, 2012 and a 17% increase from June 30, 2012. Deposits increased as the Bank put a sharper emphasis on deposit growth. Balances in business and personal checking accounts were $14.0 billion, or 50% of total deposits, as we continued to emphasize building banking relationships by opening checking and other transaction deposit accounts. Total checking and savings accounts were 88% of total deposits at June 30, 2013, compared to 89% at December 31, 2012 and 86% at June 30, 2012. At June 30, 2013, business deposits were $12.8 billion and represented 45% of total deposits, compared to $11.4 billion, or 42% of total deposits, at December 31, 2012.

Our Tier 1 leverage and total risk-based capital ratios at June 30, 2013 were 9.83% and 14.12%, respectively. Our public offering of 5.50% Noncumulative Perpetual Series D Preferred Stock in April 2013 increased our Tier 1 capital by approximately $183.8 million. We continue to exceed regulatory guidelines for well-capitalized institutions.

Book value per common share was $23.50 at June 30, 2013, a 6% increase from December 31, 2012 and a 13% increase during the last twelve months. Tangible book value per common share was $21.59 at June 30, 2013, a 10% increase during the last twelve months.

We declared a quarterly cash dividend of $0.12 per share of common stock for the second quarter of 2013, which is payable on August 15, 2013 to shareholders of record as of August 1, 2013.

Wealth management assets under management or administration increased $5.1 billion, or 16%, to $36.3 billion at June 30, 2013, from $31.3 billion at December 31, 2012. The increase in assets under management was primarily due to net client flow as a result of the hiring of new personnel, cross-selling to current bank clients and the addition of new clients.

Net income was $113.7 million and $97.9 million for the second quarter of 2013 and 2012, respectively, an increase of $15.8 million, or 16%. Diluted EPS were $0.77 and $0.60 for the second quarter of 2013 and 2012, respectively. During the second quarter of 2012, the redemption of the Series D preferred stock of First Republic Preferred Capital Corporation ("FRPCC") resulted in a one-time reduction to diluted EPS of $0.10 per share.

Excluding the impact of purchase accounting, net income was $97.1 million and $70.9 million for the second quarter of 2013 and 2012, respectively, an increase of $26.2 million, or 37%. On this non-GAAP basis, and also excluding the one-time FRPCC preferred stock redemption charge in 2012, diluted EPS were $0.64 and $0.50 for the second quarter of 2013 and 2012, respectively, an increase of 28%. 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 $105.0 million and $91.8 million for the second quarter of 2013 and 2012, respectively, an increase of $13.2 million, or 14%. Net income for the Wealth Management segment was $8.7 million and $6.1 million for the second quarter of 2013 and 2012, respectively, an increase of $2.7 million, or 44%.

Net Interest Income

Net interest income was $303.1 million for the second quarter of 2013, an increase of $12.5 million, or 4%, compared to $290.6 million for the second quarter of 2012. Included in net interest income were the effects of purchase accounting. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $33.5 million and $52.2 million for the second quarter of 2013 and 2012, respectively.

Average interest-earning assets for the second quarter of 2013 increased 19% compared to the second quarter of 2012 and the average yield decreased 57 basis points. Average interest-bearing liabilities increased 18% and the average rate decreased 10 basis points compared to the second quarter of 2012. The impact of these changes to the net interest margin for the second quarter of 2013 was a decrease of 48 basis points, to 3.79%, compared to 4.27% for the second quarter of 2012.

The net interest margin excluding purchase accounting (core net interest margin) was 3.37% and 3.48% for the second quarter of 2013 and 2012, respectively. The decrease in the core net interest margin is primarily due to declines in contractual loan yields, which was partially offset by lower deposit and borrowing costs and an improvement in the deposit mix. Core net interest margin is a non-GAAP financial measure. For a reconciliation of core 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 2013 and 2012. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans, CDs and other long-term debt include accretion/amortization of purchase accounting discounts/premiums. In addition, the average yields on certain investment securities and loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

($ in thousands)	Three Months Ended June 30, 2013 Average Balance	Interest	Yields/ Rates	2012 Average Balance	Interest	Yields/ Rates
Assets:						
Cash equivalents	$ 178,482	$ 99	0.22%	$ 1,251,267	$ 822	0.26%
Investment securities:						
Municipal securities [1]	2,714,673	28,665	6.47%	2,283,657	24,255	6.62%
Commercial mortgage-backed securities (“MBS”)	567,240	5,373	3.79%	539,002	5,341	3.96%
Collateralized loan obligations	565,271	2,202	1.56%	—	—	—%
Other investment securities [2]	378,090	2,190	2.32%	337,690	669	0.79%
Total investment securities [1]	4,225,274	38,430	5.08%	3,160,349	30,265	5.54%
Loans: [3]						
Residential real estate	19,338,394	172,883	3.58%	16,357,857	175,976	4.31%
Multifamily	3,340,933	36,273	4.30%	2,549,681	35,170	5.46%
Commercial real estate	2,926,365	46,219	6.25%	2,537,627	46,293	7.22%
Construction	437,467	5,105	4.62%	320,868	4,853	5.98%
Business loans [1]	2,689,997	27,148	4.64%	1,840,563	21,656	5.18%
Other loans	808,551	6,587	3.22%	575,922	7,092	4.87%
Total loans [1]	29,541,707	294,215	4.02%	24,182,518	291,040	4.83%
Total interest-earning assets	33,945,463	332,744	4.14%	28,594,134	322,127	4.71%
Noninterest-earning assets:						
Noninterest-earning cash	240,514			205,898		
Goodwill and other intangibles	255,162			151,908		
Other assets	1,643,333			1,479,776		
Total noninterest-earning assets	2,139,009			1,837,582		
Total Assets	$ 36,084,472			$ 30,431,716		
Liabilities and Equity:						
Deposits:						
Checking	$ 13,769,665	328	0.01%	$ 10,792,468	520	0.02%
Money market checking and savings	10,415,283	4,940	0.19%	9,480,389	6,756	0.29%
CDs [3]	3,022,355	7,986	1.06%	3,467,158	9,402	1.09%
Total deposits	27,207,303	13,254	0.20%	23,740,015	16,678	0.28%
Borrowings:						
Short-term borrowings	787,637	330	0.17%	—	—	—%
Long-term Federal Home Loan Bank (“FHLB”) advances	3,847,802	15,833	1.65%	3,139,011	14,050	1.80%
Other long-term debt [3]	52,443	235	1.79%	124,530	802	2.58%
Total borrowings	4,687,882	16,398	1.40%	3,263,541	14,852	1.83%
Total interest-bearing liabilities	31,895,185	29,652	0.37%	27,003,556	31,530	0.47%
Noninterest-bearing liabilities	462,694			447,526		
Preferred equity	642,437			247,657		
Common equity	3,084,156			2,686,401		
Noncontrolling interests	—			46,576		
Total Liabilities and Equity	$ 36,084,472			$ 30,431,716		

(continued on following page)

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($ in thousands)	2013 Average Balance	2013 Interest	2013 Yields/ Rates	2012 Average Balance	2012 Interest	2012 Yields/ Rates
	Three Months Ended June 30,					
Net interest spread [4]			3.77%			4.24%
Net interest income and net interest margin [5]		$ 303,092	3.79%		$ 290,597	4.27%
Net interest income (tax-equivalent basis)		$ 322,721			$ 306,540	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [6]		$ 289,201	3.37%		$ 254,371	3.48%

(1) In order to calculate the yield on tax-advantaged investment securities on a tax-equivalent basis, reported interest income was increased by $15.3 million in the second quarter of 2013 and $13.5 million in the second quarter of 2012. In order to calculate the yield on tax-advantaged loans on a tax-equivalent basis, reported interest income was increased by $4.4 million in the second quarter of 2013 and $2.4 million in the second quarter of 2012.

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

(3) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/amortization of purchase accounting discounts/premiums.

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

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

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

Interest Income

Interest income on loans increased $3.2 million, or 1%, to $294.2 million for the second quarter of 2013, from $291.0 million for the second quarter of 2012. Included in interest income on loans is loan discount accretion of $30.5 million for the second quarter of 2013, compared to $45.8 million for the second quarter of 2012. The decrease in discount accretion was primarily the result of a lower level of loan prepayments and a declining balance of loan discounts.

Average loan balances were $29.5 billion for the second quarter of 2013, compared to $24.2 billion for the second quarter of 2012, an increase of 22%. The average yield on loans, including the accretion of loan discounts, was 4.02% for the second quarter of 2013, a decrease of 81 basis points from 4.83% for the second quarter of 2012. The average contractual yield earned on loans was 3.58% for the second quarter of 2013, a decrease of 43 basis points from 4.01% for the second quarter of 2012 due to continued low interest rates. The average contractual yield on loans is a non-GAAP financial measure. For a reconciliation of the average contractual yield on loans to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest income on loans included prepayment penalty fees of $6.2 million and $4.7 million in the second quarter of 2013 and 2012, respectively. 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 single family mortgages with prepayment penalties. This may cause our fee income from prepayment penalties to decrease as mortgages with prepayment penalties run off over time.

Our yield on loans is affected by a number of factors: market rates of interest, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans with higher fixed rates, the level of loans held for sale, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.41% at June 30, 2013, 3.58% at December 31, 2012 and 3.83% at June 30, 2012. For adjustable-rate mortgages ("ARMs"), the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At June 30, 2013, approximately 39% of our total loans were adjustable-rate or mature within one year, compared to 43% at June 30, 2012. Loan yields are also affected by the proportion of single family loans in our loan portfolio, because single family loans generally earn interest rates that are lower than rates for other types of loans. For the second quarter of 2013 and 2012, the average balance of single family loans in our loan portfolio (excluding HELOCs) was 52% and 51%, respectively, of average interest-earning assets.

Interest income on investments includes income earned on short-term investments, investment securities and FHLB stock. Interest income on investments increased $8.2 million to $38.4 million for the second quarter of 2013, compared to $30.3 million for the second quarter of 2012. The increase is due to the purchases of new investments, as the average balance increased 34% to $4.2 billion for the second quarter of 2013, compared to $3.2 billion for the second quarter of 2012. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.08% for the second quarter of 2013, compared to 5.54% for the second quarter of 2012. The decrease in yield during the second quarter of 2013 was primarily the result of a decrease in yield on municipal securities due to declining market interest rates. The decrease in yield in the second quarter of 2013 was also due to an increase in the average balances of commercial MBS and collateralized loan obligations, which earned lower yields than municipal securities.

Interest Expense

Total interest expense consists of interest expense on deposits, federal funds purchased, FHLB advances and other borrowings. Total interest expense for the second quarter of 2013 decreased 6% to $29.7 million, from $31.5 million for the second quarter of 2012. The decrease was the result of a decrease in the average cost of interest-bearing liabilities to 0.37% for the second quarter of 2013, from 0.47% for the second quarter of 2012. This decrease was partially offset by an increase in average interest-bearing liabilities of $4.9 billion, or 18%, to $31.9 billion for the second quarter of 2013, from $27.0 billion for the second quarter of 2012.

Interest expense is also impacted by the amortization of fair value adjustments established in purchase accounting. The amount of purchase accounting amortization included as a reduction of interest expense was $3.0 million for the second quarter of 2013 and $6.4 million for the second quarter of 2012. The average contractual cost of total interest-bearing liabilities was 0.41% for the second quarter of 2013, compared to 0.57% for the second quarter of 2012. The decrease was the result of the decline in market rates of interest and an improved mix in our deposits.

Interest expense on deposits was $13.3 million for the second quarter of 2013, a decrease of $3.4 million, or 21%, from $16.7 million for the second quarter of 2012. Interest expense on deposits for the second quarter of 2013 and 2012 was reduced by $3.0 million and $5.7 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $27.2 billion for the second quarter of 2013, an increase of 15% from $23.7 billion for the second quarter of 2012. Average checking account balances comprised 51% of average total deposits for the second quarter of 2013, compared to 45% for the second quarter of 2012. Total average money market checking and savings accounts were 38% of average total deposits for the second quarter of 2013, compared to 40% for the second quarter of 2012. Average CD balances were 11% of average total deposits for the second quarter of 2013, compared to 15% for the second quarter of 2012. The average cost of deposits, including purchase accounting amortization, decreased 8 basis points to 0.20% for the second quarter of 2013, from 0.28% for the second quarter of 2012. The average contractual cost of deposits decreased to 0.24% for the second quarter of 2013, from 0.38% for the second quarter of 2012, primarily due to lower market interest rates and an improved deposit mix.

At June 30, 2013, primarily as a result of the continued decline in market interest rates and an improved deposit mix with a higher percentage of checking and savings accounts, the weighted average contractual rate paid on total deposits was 0.26%, down 7 basis points, compared to 0.33% at June 30, 2012. The Eleventh District Cost of Funds Index ("COFI") decreased 16 basis points over the same period. At June 30, 2013, our total deposits were $28.2 billion, compared to $27.1 billion at December 31, 2012, an increase of 4%. We will continue to emphasize growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as FHLB advances, which are generally higher in cost.

Interest expense on borrowings was $16.4 million for the second quarter of 2013, compared to $14.9 million for the second quarter of 2012, an increase of $1.5 million, or 10%.

At June 30, 2013, short-term borrowings outstanding were $370.0 million, compared to $75.0 million at December 31, 2012. Interest expense on short-term borrowings was $330,000 for the second quarter of 2013. Average short-term borrowings were $787.6 million and the average cost was 0.17% for the second quarter of 2013.

At June 30, 2013, long-term FHLB advances outstanding were $4.4 billion, compared to $3.2 billion at December 31, 2012. Interest expense on long-term FHLB advances increased $1.8 million to $15.8 million for the second quarter of 2013, from $14.1 million for the second quarter of 2012. The increase was primarily due to an increase in average long-term FHLB advances to $3.8 billion for the second quarter of 2013, compared to $3.1 billion for the second quarter of 2012. The average cost of long-term FHLB advances decreased 15 basis points to 1.65% for the second quarter of 2013, compared to 1.80% for the second quarter of 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 12% for the second quarter of 2013 and 2012.

Noninterest Income

The following table presents noninterest income for the periods indicated:

	Three Months Ended June 30,	
($ in thousands)	**2013**	**2012**
Noninterest income:		
Investment advisory fees	$ 27,525	$ 14,674
Brokerage and investment fees	3,071	2,667
Trust fees	2,498	2,185
Foreign exchange fee income	4,639	2,639
Deposit fees	4,611	3,445
Gain on sale of loans	8,779	4,754
Loan servicing fees, net	1,299	(704)
Loan and related fees	2,109	1,465
Income from investments in life insurance	5,912	5,618
Other income (loss)	1,807	(104)
Total noninterest income	$ 62,250	$ 36,639

Noninterest income for the second quarter of 2013 was $62.3 million, an increase of $25.6 million, compared to $36.6 million for the second quarter of 2012. The increase in noninterest income was primarily due to increases in investment advisory fees, gain on sale of loans, net loan servicing fees, foreign exchange fee income and deposit fees.

Investment advisory fees. Investment advisory fees were $27.5 million for the second quarter of 2013, an 88% increase from $14.7 million for the second quarter of 2012. Beginning in the first quarter of 2013, the Bank earned approximately $7.6 million of fees from the assets acquired in the Luminous Capital Holdings, LLC ("Luminous") asset purchase. The remainder of the increase in investment advisory fees was due to an increase in assets under management from the addition of new clients. New clients' assets came from the successful marketing efforts of existing portfolio managers, the hiring of experienced portfolio managers who brought their clients with them and the increased cross-selling of investment management services to bank clients. Investment advisory fees vary with the amount of assets managed by our investment advisory subsidiaries and the type of investment chosen by the client. Generally, these investment advisors earn higher fees for managing equity securities than for managing a fixed income portfolio. The future level of these fees depends on the level and mix of assets under management, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $3.1 million for the second quarter of 2013, a 15% increase from $2.7 million for the second quarter of 2012. The increase was primarily due to increased trading volume and higher balances of assets under administration. The future level of these fees depends on the level and mix of assets under administration, conditions in the equity market and our ability to attract new clients.

Trust fees. Trust fees for the second quarter of 2013 were $2.5 million, a 14% increase from $2.2 million for the second quarter of 2012. The increase was primarily due to the addition of new clients and an increase in assets under custody or administration. Trust fees are primarily based on the level and mix of assets under custody or administration and will vary in the future based on these factors.

Foreign exchange fee income. Foreign exchange fee income represents fees we earn from transacting foreign exchange business on behalf of our customers. We earned $4.6 million on foreign exchange business for the second quarter of 2013, a 76% increase from $2.6 million for the second quarter of 2012. The increase in foreign exchange fees was primarily driven by volume of activity, the addition of new clients and the addition of new sales personnel.

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

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $4.6 million for the second quarter of 2013, an increase of 34% from $3.4 million for the second quarter of 2012. These fees vary with the level and type of account activity and have generally increased due to deposit growth.

Gain on sale of loans. The gain on the sale of $945.4 million of loans was $8.8 million, or approximately 93 basis points on the loans sold in the second quarter of 2013, compared to gains of $4.8 million on loan sales of $435.8 million, or 109 basis points on the loans sold in the second quarter of 2012. The higher level of gain on sales in the second quarter of 2013 was driven primarily by a higher volume of loans sold. The gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

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

	Three Months Ended June 30,	
($ in thousands)	**2013**	**2012**
Contractually specified servicing fees	$ 3,527	$ 2,501
Amortization expense	(2,228)	(1,976)
Net provisions for impairment	—	(1,229)
Loan servicing fees, net	$ 1,299	$ (704)

Contractual servicing fees were $3.5 million for the second quarter of 2013, compared to $2.5 million for the second quarter of 2012. The increase in contractual servicing fees was primarily due to the growth in the servicing portfolio. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced was approximately 0.27% for the second quarter of 2013 and 2012, respectively.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the second quarter of 2013, the overall annualized repayment speeds experienced on loans serviced were 23%, compared to 24% for the second quarter of 2012. 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.

Loan and related fees. Loan and related fee income was $2.1 million for the second quarter of 2013, compared to $1.5 million for the second quarter of 2012. Loan and related fee income includes late charge income, which generally increases with growth in the average loan and servicing portfolios, loan related processing fees that vary with market conditions and loan origination volumes, prepayment penalties on sold loans and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates. We collected prepayment penalty fees on loans serviced for others of $751,000 and $387,000 for the second quarter of 2013 and 2012, respectively. 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 over time.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $5.9 million for the second quarter of 2013, compared to $5.6 million for the second quarter of 2012. The increase was due to additional purchases of bank-owned life insurance. The income on these investments helps to offset the cost of providing employee benefits. The book value of this portfolio of tax-advantaged investments was $734.0 million at June 30, 2013, compared to $620.1 million at June 30, 2012.

Other income (loss). Other income was $1.8 million for the second quarter of 2013, compared to other net losses of $(104,000) for the second quarter of 2012. The second quarter of 2013 included gains on sales of securities available-for-sale of $1.3 million, compared to $607,000 for the second quarter of 2012. The second quarter of 2012 also included impairment losses on investment securities of $878,000.

Noninterest Expense

The following table presents noninterest expense for the periods indicated:

	Three Months Ended June 30,	
($ in thousands)	**2013**	**2012**
Noninterest expense:		
Salaries and employee benefits	$ 98,157	$ 81,533
Occupancy	22,904	20,690
Information systems	19,504	17,746
Tax credit investments	11,280	4,521
Amortization of intangibles	6,643	5,170
FDIC and other deposit assessments	6,800	5,902
Advertising and marketing	6,842	7,144
Professional fees	5,104	5,453
Other expenses	22,905	23,396
Total noninterest expense	$ 200,139	$ 171,555

Noninterest expense was $200.1 million for the second quarter of 2013, compared to $171.6 million for the second quarter of 2012, an increase of $28.6 million, or 17%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, costs associated with tax credit investments, occupancy, information systems costs, intangible amortization and FDIC and other deposit assessments.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 54.8% for the second quarter of 2013, compared to 52.4% for the second quarter of 2012. The efficiency ratio was significantly affected by purchase accounting. Excluding the impact of purchase accounting, the efficiency ratio was 58.9% and 60.5% for the second quarter of 2013 and 2012, respectively. For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and include the cost of salaries, incentive compensation, benefit plans, health insurance and payroll taxes, which have collectively increased in each of the past several years as we hired additional personnel to support our growth. Salaries and employee benefit expenses were $98.2 million for the second quarter of 2013, a 20% increase from $81.5 million for the second quarter of 2012. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, loan origination and deposit growth, wealth management activities and higher incentive compensation related to the continued expansion of our franchise. At June 30, 2013, we had 2,257 full-time equivalent employees, including temporary employees and independent contractors, an 11% increase from 2,026 at June 30, 2012.

Occupancy. Occupancy costs were $22.9 million for the second quarter of 2013, an 11% increase from $20.7 million for the second quarter of 2012. The increase in occupancy costs was primarily due to the opening of new Preferred Banking offices, the commencement of rental expense on several future Preferred Banking office locations and expanding our office space in existing markets for new employees. We expect the level of occupancy costs to vary with the number of Preferred Banking offices and the number of employees and to increase as new Preferred Banking offices open.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing internet-based activities and the costs associated with telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $19.5 million for the second quarter of 2013, a 10% increase from $17.7 million for the second quarter of 2012. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth.

Tax credit investments. Expenses related to tax credit investments for the second quarter of 2013 were $11.3 million, an increase of $6.8 million, compared to $4.5 million for the second quarter of 2012. The increase was primarily due to an increasing amount of such investments. The expenses related to tax credit investments are generally matched by an offsetting increase in the actual amount of tax credits received. For the second quarter of 2013, the tax credits allocated to us from these investments reduced tax expense by approximately $10.9 million, compared to $7.6 million for the second quarter of 2012. Our portfolio of tax credit investments was $534.6 million at June 30, 2013, compared to $420.0 million at June 30, 2012.

Amortization of intangibles. Amortization expense for the second quarter of 2013 and 2012 was $6.6 million and $5.2 million, respectively. Amortization expense increased compared to the prior year as we began amortizing intangibles established in the Luminous asset purchase in 2013. Amortization expense related to Luminous was $2.0 million for the second quarter of 2013.

FDIC and other deposit assessments. FDIC and other deposit assessments were $6.8 million for the second quarter of 2013, an increase of 15% from $5.9 million for the second quarter of 2012. The increase in the second quarter of 2013 was primarily due to an increase in our assessment base as a result of the growth in assets over the past year.

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 $6.8 million for the second quarter of 2013 and $7.1 million for the second quarter of 2012. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, accountants and other consultants. Such expenses were $5.1 million for the second quarter of 2013, compared to $5.5 million for the second quarter of 2012.

Other expenses. Other expenses were $22.9 million for the second quarter of 2013, compared to $23.4 million for the second quarter of 2012. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanded operations. Other operating expenses include postage, donations, cash management, custody and clearing and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and assets under management, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses for the periods indicated:

	Three Months Ended June 30,	
($ in thousands)	**2013**	**2012**
Other expenses:		
Deposit client related costs	$ 4,913	$ 4,093
Travel and entertainment	4,344	3,863
Loan related costs	2,834	2,730
Insurance expense	1,401	1,206
Subscriptions	1,382	1,124
Recruiting fees	1,033	2,011
Provision on loan commitments	—	1,250
Other operating expenses	6,998	7,119
Total other expenses	$ 22,905	$ 23,396

Provision for Income Taxes

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities. The effective tax rate for the second quarter of 2013 was 25.5%, compared to 30.0% for the second quarter of 2012. The decrease in the effective tax rate is the result of the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

Results of Operations –
Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Overview

Net income was $236.0 million and $189.7 million for the six months ended June 30, 2013 and 2012, respectively, an increase of $46.4 million, or 24%. Diluted EPS were $1.61 and $1.27 for the six months ended June 30, 2013 and 2012, respectively. During the six months ended June 30, 2012, the redemption of the Series D preferred stock of FRPCC resulted in a one-time reduction to diluted EPS of $0.10 per share.

Excluding the impact of purchase accounting, net income was $202.4 million and $139.0 million for the six months ended June 30, 2013 and 2012, respectively, an increase of $63.4 million, or 46%. On this non-GAAP basis, and also excluding the one-time FRPCC preferred stock redemption charge in 2012, diluted EPS were $1.37 and $0.99 for the six months ended June 30, 2013 and 2012, respectively, an increase of 38%. 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 $220.1 million and $177.6 million for the six months ended June 30, 2013 and 2012, respectively, an increase of $42.5 million, or 24%. Net income for the Wealth Management segment was $15.9 million and $12.1 million for the six months ended June 30, 2013 and 2012, respectively, an increase of $3.9 million, or 32%.

Net Interest Income

Net interest income was $601.1 million for the six months ended June 30, 2013, an increase of $29.3 million, or 5%, compared to $571.9 million for the six months ended June 30, 2012. Included in net interest income were the effects of purchase accounting. The amount of net interest income from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $67.8 million and $98.5 million for the six months ended June 30, 2013 and 2012, respectively.

Average interest-earning assets for the six months ended June 30, 2013 increased 20% compared to the six months ended June 30, 2012 and the average yield decreased 60 basis points. Average interest-bearing liabilities increased 20% and the average rate decreased 10 basis points compared to the six months ended June 30, 2012. The impact of these changes to the net interest margin for the six months ended June 30, 2013 was a decrease of 49 basis points, to 3.83%, compared to 4.32% for the six months ended June 30, 2012.

The net interest margin excluding purchase accounting (core net interest margin) was 3.39% and 3.56% for the six months ended June 30, 2013 and 2012, respectively. The decrease in the core net interest margin is primarily due to declines in contractual loan yields, which was partially offset by lower deposit and borrowing costs and an improvement in the deposit mix. Core net interest margin is a non-GAAP financial measure. For a reconciliation of core 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, 2013 and 2012. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans, CDs and other long-term debt include accretion/amortization of purchase accounting discounts/premiums. In addition, the average yields on certain investment securities and loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

	Six Months Ended June 30,					
	2013			2012		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:						
Cash equivalents	$ 242,666	$ 273	0.23%	$ 1,081,671	$ 1,445	0.27%
Investment securities:						
Municipal securities [1]	2,672,981	55,938	6.48%	2,215,020	47,330	6.66%
Commercial MBS	576,183	10,868	3.77%	523,162	10,496	4.01%
Collateralized loan obligations	506,805	3,430	1.35%	—	—	—%
Other investment securities [2]	362,946	3,673	2.02%	331,907	1,298	0.78%
Total investment securities [1]	4,118,915	73,909	5.08%	3,070,089	59,124	5.58%
Loans: [3]						
Residential real estate	19,082,007	345,973	3.63%	16,024,026	349,002	4.36%
Multifamily	3,208,734	69,918	4.33%	2,489,799	68,130	5.41%
Commercial real estate	2,874,276	88,425	6.12%	2,473,950	90,120	7.21%
Construction	423,223	10,762	5.06%	313,599	9,121	5.75%
Business loans [1]	2,612,576	53,802	4.73%	1,746,288	41,553	5.22%
Other loans	792,873	13,428	3.37%	541,747	12,788	4.67%
Total loans [1]	28,993,689	582,308	4.07%	23,589,409	570,714	4.86%
Total interest-earning assets	33,355,270	656,490	4.16%	27,741,169	631,283	4.76%
Noninterest-earning assets:						
Noninterest-earning cash	241,373			203,679		
Goodwill and other intangibles	258,523			154,181		
Other assets	1,617,572			1,427,548		
Total noninterest-earning assets	2,117,468			1,785,408		
Total Assets	$ 35,472,738			$ 29,526,577		
Liabilities and Equity:						
Deposits:						
Checking	$ 13,505,295	587	0.01%	$ 10,271,026	937	0.02%
Money market checking and savings	10,521,665	7,941	0.15%	9,367,574	11,570	0.25%
CDs [3]	2,958,561	15,736	1.07%	3,613,322	19,158	1.07%
Total deposits	26,985,521	24,264	0.18%	23,251,922	31,665	0.27%
Borrowings:						
Short-term borrowings	809,795	767	0.19%	1,099	—	0.00%
Long-term FHLB advances	3,508,564	29,843	1.72%	2,833,791	26,115	1.85%
Other long-term debt [3]	53,917	475	1.76%	126,160	1,638	2.60%
Total borrowings	4,372,276	31,085	1.43%	2,961,050	27,753	1.88%
Total interest-bearing liabilities	31,357,797	55,349	0.36%	26,212,972	59,418	0.46%
Noninterest-bearing liabilities	511,860			420,172		
Preferred equity	571,376			197,772		
Common equity	3,031,705			2,639,103		
Noncontrolling interests	—			56,558		
Total Liabilities and Equity	$ 35,472,738			$ 29,526,577		

(continued on following page)

(continued from previous page)	Six Months Ended June 30,					
	2013			2012		
($ in thousands)	**Average Balance**	**Interest**	**Yields/ Rates**	**Average Balance**	**Interest**	**Yields/ Rates**
Net interest spread [(4)]			3.80%			4.30%
Net interest income and net interest margin [(5)]		$ 601,141	3.83%		$ 571,865	4.32%
Net interest income (tax-equivalent basis)		$ 640,097			$ 602,851	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [(6)]		$ 572,303	3.39%		$ 504,391	3.56%

(1) In order to calculate the yield on tax-advantaged investment securities on a tax-equivalent basis, reported interest income was increased by $30.6 million in the six months ended June 30, 2013 and $26.5 million in the six months ended June 30, 2012. In order to calculate the yield on tax-advantaged loans on a tax-equivalent basis, reported interest income was increased by $8.3 million in the six months ended June 30, 2013 and $4.5 million in the six months ended June 30, 2012.

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

(3) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/ amortization of purchase accounting discounts/premiums.

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

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

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

Interest Income

Interest income on loans increased $11.6 million, or 2%, to $582.3 million for the six months ended June 30, 2013, from $570.7 million for the six months ended June 30, 2012. The accretion of loan discounts was $61.3 million for the six months ended June 30, 2013, compared to $83.9 million for the six months ended June 30, 2012. The decrease in discount accretion was primarily the result of a lower level of loan prepayments and a declining balance of loan discounts. Interest income on loans included prepayment penalty fees of $10.0 million and $8.6 million for the six months ended June 30, 2013 and 2012, respectively.

Average loan balances were $29.0 billion for the six months ended June 30, 2013, compared to $23.6 billion for the six months ended June 30, 2012, an increase of 23%. The average yield on loans, including the accretion of loan discounts, was 4.07%, a decrease of 79 basis points, compared to 4.86% for the six months ended June 30, 2012. The average contractual yield earned on loans was 3.61% for the six months ended June 30, 2013, a decrease of 46 basis points from 4.07% for the six months ended June 30, 2012 due to continued low interest rates. The average contractual yield on loans is a non-GAAP financial measure. For a reconciliation of the average contractual yield on loans to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest income on investments increased $14.8 million to $73.9 million for the six months ended June 30, 2013, compared to $59.1 million for the six months ended June 30, 2012. The increase is due to the purchase of new investments, as the average balance increased 34% to $4.1 billion for the six months ended June 30, 2013, compared to $3.1 billion for the six months ended June 30, 2012. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.08% for the six months ended June 30, 2013, compared to 5.58% for the six months ended June 30, 2012. The decrease in yield during the six months ended June 30, 2013 was primarily the result of a decrease in yield on municipal securities due to declining market interest rates. The decrease in yield was also due to an increase in the average balances of commercial MBS and collateralized loan obligations, which earned lower yields than municipal securities.

Interest Expense

Total interest expense was $55.3 million for the six months ended June 30, 2013, a decrease of $4.1 million compared to $59.4 million for the six months ended June 30, 2012. The decrease was the result of a decrease in the average cost of interest-bearing liabilities to 0.36% for the six months ended June 30, 2013, compared to 0.46% for the six months ended June 30, 2012. This decrease was partially offset by an increase in average interest-bearing liabilities of $5.1 billion, or 20%, to $31.4 billion for the six months ended June 30, 2013, from $26.2 billion for the six months ended June 30, 2012.

Interest expense is also impacted by the amortization of fair value adjustments established in purchase accounting. The amount of purchase accounting amortization included as a reduction of interest expense was $6.5 million for the six months ended June 30, 2013, compared to $14.5 million for the six months ended June 30, 2012. The average contractual cost of total interest-bearing liabilities was 0.40% for the six months ended June 30, 2013, compared to 0.57% for the six months ended June 30, 2012. The decrease was the result of the decline in market rates of interest and an improved mix in our deposits.

Interest expense on deposits was $24.3 million for the six months ended June 30, 2013, a decrease of $7.4 million, or 23%, from $31.7 million for the six months ended June 30, 2012. Interest expense on deposits for the six months ended June 30, 2013 and 2012 was reduced by $6.5 million and $13.2 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $27.0 billion for the six months ended June 30, 2013, an increase of 16% from $23.3 billion for the six months ended June 30, 2012. Average checking deposits comprised 50% of average total deposits for the six months ended June 30, 2013, compared to 44% for the six months ended June 30, 2012. Total average money market checking and savings accounts were 39% of average total deposits for the six months ended June 30, 2013, compared to 40% for the six months ended June 30, 2012. Average CD balances were 11% of average total deposits for the six months ended June 30, 2013, compared to 16% for the six months ended June 30, 2012. The average cost of deposits, including purchase accounting amortization, decreased 9 basis points to 0.18% for the six months ended June 30, 2013, from 0.27% for the six months ended June 30, 2012. The average contractual cost of deposits decreased to 0.23% for the six months ended June 30, 2013, from 0.39% for the six months ended June 30, 2012, primarily due to lower market interest rates and an improved deposit mix.

Interest expense on borrowings was $31.1 million for the six months ended June 30, 2013, compared to $27.8 million for the six months ended June 30, 2012, an increase of $3.3 million, or 12%.

Interest expense on short-term borrowings was $767,000 for the six months ended June 30, 2013. Average short-term borrowings were $809.8 million and the average cost was 0.19% for the six months ended June 30, 2013.

Interest expense on long-term FHLB advances increased $3.7 million to $29.8 million for the six months ended June 30, 2013, from $26.1 million for the six months ended June 30, 2012. The increase was primarily due to an increase in average long-term FHLB advances to $3.5 billion for the six months ended June 30, 2013, compared to $2.8 billion for the six months ended June 30, 2012. The average cost of long-term FHLB advances decreased 13 basis points to 1.72% for the six months ended June 30, 2013, compared to 1.85% for the six months ended June 30, 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 11% for the six months ended June 30, 2013 and 2012.

Noninterest Income

The following table presents noninterest income for the periods indicated:

($ in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Noninterest income:		
Investment advisory fees	$ 52,624	$ 27,373
Brokerage and investment fees	5,462	5,432
Trust fees	4,558	3,958
Foreign exchange fee income	7,726	5,060
Deposit fees	9,255	6,726
Gain on sale of loans	34,769	8,563
Loan servicing fees, net	1,635	(2,608)
Loan and related fees	4,021	2,948
Income from investments in life insurance	11,796	10,989
Other income (loss)	2,672	843
Total noninterest income	$ 134,518	$ 69,284

Noninterest income for the six months ended June 30, 2013 increased $65.2 million, or 94%, to $134.5 million, from $69.3 million for the six months ended June 30, 2012. The increase in noninterest income was primarily due to increases in gain on sale of loans, investment advisory fees, net loan servicing fees, foreign exchange fee income, deposit fees and loan and related fees.

Investment advisory fees. Investment advisory fees were $52.6 million for the six months ended June 30, 2013, a 92% increase from $27.4 million for the six months ended June 30, 2012. The increase was due to fees earned beginning in 2013 from the Luminous asset purchase, as well as an increase in assets under management from the addition of new clients.

Brokerage and investment fees. Brokerage and investment fees were $5.5 million for the six months ended June 30, 2013, compared to $5.4 million for the six months ended June 30, 2012. The increase was primarily due to increased trading volume and higher balances of assets under administration.

Trust fees. Trust fees for the six months ended June 30, 2013 were $4.6 million, a 15% increase from $4.0 million for the six months ended June 30, 2012. The increase was primarily due to the addition of new clients and an increase in assets under custody or administration.

Foreign exchange fee income. We earned $7.7 million on foreign exchange business for the six months ended June 30, 2013, a 53% increase from $5.1 million for the six months ended June 30, 2012. The increase in foreign exchange fees was primarily driven by volume of activity, the addition of new clients and addition of new sales personnel.

Deposit fees. Deposit fees were $9.3 million for the six months ended June 30, 2013, an increase of 38% from $6.7 million for the six months ended June 30, 2012. These fees vary with the level and type of account activity and have generally increased due to deposit growth.

Gain on sale of loans. The gain on the sale of $2.2 billion of loans was $34.8 million, or approximately 161 basis points on the loans sold, for the six months ended June 30, 2013, compared to gains of $8.6 million on loan sales of $987.8 million, or 87 basis points on loans sold, for the six months ended June 30, 2012. The higher level of gain on sales for the six months ended June 30, 2013 was driven primarily by improved pricing on loans sold and a higher volume of loans sold.

Loan servicing fees, net. The following table presents net loan servicing fees for the periods indicated:

($ in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Contractually specified servicing fees	$ 6,544	$ 4,848
Amortization expense	(4,909)	(3,687)
Net provisions for impairment	—	(3,769)
Loan servicing fees, net	$ 1,635	$ (2,608)

Contractual servicing fees for the six months ended June 30, 2013 were $6.5 million, compared to $4.8 million for the six months ended June 30, 2012. The increase in contractual servicing fees was primarily due to the growth in the servicing portfolio.

Loan and related fees. Loan and related fee income was $4.0 million for the six months ended June 30, 2013, compared to $2.9 million for the six months ended June 30, 2012. We collected prepayment penalty fees on loans serviced for others of $1.6 million and $763,000 for the six months ended June 30, 2013 and 2012, respectively.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $11.8 million for the six months ended June 30, 2013, compared to $11.0 million for the six months ended June 30, 2012. The increase was due to additional purchases of bank-owned life insurance. The income on these investments helps to offset the cost of providing employee benefits. The book value of these tax-advantaged investments was $734.0 million at June 30, 2013, compared to $620.1 million at June 30, 2012.

Other income (loss). Other income was $2.7 million for the six months ended June 30, 2013, compared to $843,000 for the six months ended June 30, 2012. The six months ended June 30, 2013 included gains on sales of securities available-for-sale of $1.3 million, compared to $1.2 million for the six months ended June 30, 2012. The six months ended June 30, 2012 also included impairment losses on investment securities of $1.0 million.

Noninterest Expense

The following table presents noninterest expense for the periods indicated:

($ in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Noninterest expense:		
Salaries and employee benefits	$ 200,041	$ 164,040
Occupancy	44,992	40,585
Information systems	37,327	33,920
Tax credit investments	22,180	9,771
Amortization of intangibles	13,499	10,458
FDIC and other deposit assessments	13,627	11,302
Advertising and marketing	12,645	13,106
Professional fees	8,817	9,731
Other expenses	44,445	43,397
Total noninterest expense	$ 397,573	$ 336,310

Noninterest expense increased by $61.3 million, or 18%, to $397.6 million for the six months ended June 30, 2013, from $336.3 million for the six months ended June 30, 2012. The increase in noninterest expense was primarily due to higher salaries and benefits, costs associated with tax credit investments, occupancy, information system costs, intangible amortization and FDIC and other deposit assessments.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 54.0% for the six months ended June 30, 2013, compared to 52.5% for the six months ended June 30,

2012. Excluding the impact of purchase accounting, the efficiency ratio was 58.1% and 60.1% for the six months ended June 30, 2013 and 2012, respectively. For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Salaries and employee benefits. Salaries and employee benefits were $200.0 million for the six months ended June 30, 2013, a 22% increase from $164.0 million for the six months ended June 30, 2012. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, loan origination and deposit growth, wealth management activities and higher incentive compensation related to continued expansion of our franchise.

Occupancy. Occupancy costs were $45.0 million for the six months ended June 30, 2013, an 11% increase from $40.6 million for the six months ended June 30, 2012. The increase in occupancy costs was primarily due to the opening of new Preferred Banking offices, the commencement of rental expense on several future Preferred Banking office locations and expanding our office space in existing markets for new employees.

Information systems. Expenses for information systems were $37.3 million for the six months ended June 30, 2013, a 10% increase from $33.9 million for the six months ended June 30, 2012. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth.

Tax credit investments. Expenses related to tax credit investments for the six months ended June 30, 2013 were $22.2 million, an increase of $12.4 million, compared to $9.8 million for the six months ended June 30, 2012. The increase was primarily due to an increasing amount of such investments. For the six months ended June 30, 2013, the tax credits allocated to us from these investments reduced tax expense by approximately $21.8 million, compared to $13.0 million for the six months ended June 30, 2012.

Amortization of intangibles. Amortization expense for the six months ended June 30, 2013 and 2012 was $13.5 million and $10.5 million, respectively. Amortization expense increased compared to the prior year as we began amortizing intangibles established in the Luminous asset purchase in 2013. Amortization expense related to Luminous was $4.1 million for the six months ended June 30, 2013.

FDIC and other deposit assessments. FDIC and other deposit assessments were $13.6 million for the six months ended June 30, 2013, an increase of 21% from $11.3 million for the six months ended June 30, 2012. The increase in the six months ended June 30, 2013 was primarily due to an increase in our assessment base as a result of the growth in assets over the past year.

Advertising and marketing. Advertising and marketing expenses were $12.6 million for the six months ended June 30, 2013 and $13.1 million for the six months ended June 30, 2012. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, accountants and other consultants. Such expenses were $8.8 million for the six months ended June 30, 2013, compared to $9.7 million for the six months ended June 30, 2012.

Other expenses. Other expenses were $44.4 million for the six months ended June 30, 2013, compared to $43.4 million for the six months ended June 30, 2012. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanded operations. Other operating expenses include postage, donations, cash management, custody and clearing and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and assets under management, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses for the periods indicated:

	Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**
Other expenses:		
Deposit client related costs	$ 9,293	$ 7,950
Travel and entertainment	8,148	7,038
Loan related costs	4,628	4,212
Insurance expense	2,722	2,534
Subscriptions	2,699	2,126
Recruiting fees	2,297	3,942
Provision on loan commitments	—	2,225
Other operating expenses	14,658	13,370
Total other expenses	$ 44,445	$ 43,397

Provision for Income Taxes

The effective tax rate for the six months ended June 30, 2013 was 26.0%, compared to 30.5% for the six months ended June 30, 2012. The decrease in the effective tax rate is the result of the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

Business Segments

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

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

Our Wealth Management segment consists of First Republic Investment Management, Inc. (“FRIM”), our money market mutual fund activities through third-party providers and the brokerage activities of First Republic Securities Company, LLC (“FRSC”) (these two activities collectively, “Investment and Brokerage”), as well as the operations of First Republic Trust Company and First Republic Trust Company of Delaware LLC (“FRTC Delaware”) (collectively, the “Trust Company”) and our foreign exchange activities. FRIM acquired substantially all of the assets of Luminous, an independent wealth advisor, on December 28, 2012 and the operating results of Luminous are included in the Wealth Management segment’s results subsequent to the acquisition date. The Wealth Management segment’s primary sources of revenue are fees earned for the management or administration of clients’ assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for managing the Bank’s investment portfolio and a deposit earnings credit for deposit accounts that are maintained at the Bank, including sweep deposits. The Wealth Management segment’s principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 13 to “Item 1. Financial Statements.”

Commercial Banking

Net interest income for Commercial Banking was $579.4 million for the six months ended June 30, 2013, an increase of 6% from $547.2 million for the six months ended June 30, 2012. The increase in net interest income for the six months ended June 30, 2013 was primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $19.1 million for the six months ended June 30, 2013, compared to $29.7 million for the six months ended June 30, 2012. The provision for loan losses is related primarily to the growth in loans outstanding that have been originated since July 1, 2010.

Noninterest income for Commercial Banking was $63.4 million for the six months ended June 30, 2013, compared to $26.0 million for the six months ended June 30, 2012. The increase in noninterest income for the six months ended June 30, 2013 was primarily due to higher gain on sale of loans and net loan servicing fees.

Noninterest expense for Commercial Banking was $332.5 million for the six months ended June 30, 2013, an increase of 15% from $289.2 million for the six months ended June 30, 2012. The increase in noninterest expense for the six months ended June 30, 2013 was primarily due to increased salaries and benefits, costs associated with tax credit investments, occupancy and information systems expenses.

Wealth Management

Net interest income for Wealth Management was $21.8 million for the six months ended June 30, 2013, compared to $24.7 million for the six months ended June 30, 2012. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit. These deposits totaled $2.7 billion and $2.4 billion at June 30, 2013 and 2012, respectively. The decrease in net interest income for the six months ended June 30, 2013 was the result of a lower earnings crediting rate, partially offset by higher balances.

Noninterest income for Wealth Management was $75.0 million for the six months ended June 30, 2013, a 63% increase from $46.1 million for the six months ended June 30, 2012. Fees and other revenues increased for the six months ended June 30, 2013 as a result of an increase in assets under management primarily due to the addition of assets under management from Luminous, the hiring of new personnel, cross-selling to current bank clients and the addition of new clients.

Noninterest expense for Wealth Management was $68.9 million for the six months ended June 30, 2013, a 38% increase from $49.9 million for the six months ended June 30, 2012. The increase for the six months ended June 30, 2013 was primarily due to the continued addition of wealth management professionals as we continued to expand our client base capabilities in all markets to grow this segment. In addition, during 2013, we began recognizing compensation costs for employees added from Luminous and commenced amortization of intangibles from the Luminous asset purchase. Each of our Wealth Management entities has the capacity to manage additional assets with the current level of fixed costs.

We evaluate Wealth Management's operating margin, which represents income before the amortization of intangible assets from the Bank's re-establishment as an independent institution and before the provision for income taxes divided by total revenues (net interest income and noninterest income). The operating margin for Wealth Management is presented in the table below for the periods indicated. The decreases in the operating margin in the last six months of 2012 were primarily the result of a lower earnings crediting rate. The increases in the operating margin in the first six months of 2013 were primarily the result of the increase in fees from the Luminous asset purchase and growth in assets under management.

	Three Months Ended				
	June 30, 2013	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Operating Margin	33%	31%	20%	27%	34%

Assets under management or administration in the Wealth Management segment, in aggregate were $36.3 billion, an increase of 58% compared to a year ago. The following table presents the assets under management or administration by the entities comprising our Wealth Management segment at the dates indicated:

($ in millions)	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
First Republic Investment Management	$ 19,045	$ 18,573	$ 17,000	$ 10,782	$ 9,918
Brokerage and Investment:					
Brokerage	10,784	10,357	8,810	8,499	7,663
Money Market Mutual Funds	929	870	852	658	779
Total Brokerage and Investment	11,713	11,227	9,662	9,157	8,442
Trust Company:					
Trust	2,822	2,326	2,157	2,053	2,196
Custody [1]	2,766	2,520	2,471	2,469	2,401
Total Trust Company	5,588	4,846	4,628	4,522	4,597
Total Wealth Management Assets	$ 36,346	$ 34,646	$ 31,290	$ 24,461	$ 22,957

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

In 2012, First Republic Trust Company began accepting equity securities, primarily nonpublic, for safekeeping from the Bank's private equity and venture capital clients. These securities do not have a readily determinable market value and, after initial boarding, the typical account has limited activity until there is an exit activity (initial public offering or sale) for the underlying company. We provide these services as part of a client relationship and the recurring fees we earn are small and generally fixed. In 2013, the Bank has begun to collect cost basis or market value information on these securities from the clients, which are generally higher than our prior reporting basis. As a result, these nominal safekeeping amounts have begun to increase and are expected to increase significantly in the future, while ongoing fees are expected to remain modest.

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

($ in millions)	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Safekeeping Assets	$ 1,037	$ 628	$ 392	$ 372	$ 333

Substantially all of the increase in 2013 of such assets has been from the revaluation of underlying nonpublic securities. The trust fees earned from these safekeeping activities have averaged approximately $300,000 per quarter over the past five quarterly periods, including one-time, initial boarding fees.

The following table provides an estimate of the change in assets under management or administration for our Wealth Management segment for the periods indicated. Net client flow includes the opening of new accounts or adding to the balance in existing accounts by the depositing of additional funds, offset by the closing of accounts or the withdrawing of funds. The portion of the net change that cannot be attributed to the deposit or withdrawal of funds is reported in market appreciation or depreciation.

	Three Months Ended				
($ in millions)	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Assets under management [(1)]					
Beginning balance	$ 34,646	$ 31,290	$ 24,461	$ 22,957	$ 21,717
Net client flow	1,662	2,600	848	794	1,550
Market appreciation (depreciation)	38	756	90	710	(310)
Luminous transaction	—	—	5,891	—	—
Ending balance	$ 36,346	$ 34,646	$ 31,290	$ 24,461	$ 22,957

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

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity, fixed income, balanced and alternative investments for our clients. In addition, we employ experienced investment advisors to work with our relationship managers to generate new assets under management using an open architecture platform. Total investment advisory fees earned were $52.6 million for the six months ended June 30, 2013, an increase of $25.3 million, or 92%, compared to $27.4 million for the six months ended June 30, 2012. The increase was the result of an increase in assets under management primarily due to assets acquired from Luminous, the hiring of new personnel, cross-selling to current bank clients and the addition of new clients. Assets under management were $19.0 billion at June 30, 2013, compared to $9.9 billion at June 30, 2012.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ specialists to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. These specialists can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $5.5 million for the six months ended June 30, 2013, compared to $5.4 million for the six months ended June 30, 2012. The increase in fees was primarily due to increased trading volume and higher assets under administration. At June 30, 2013, we held $11.7 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $8.4 billion at June 30, 2012, an increase of 39%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts and Delaware. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Total trust fees earned were $4.6 million for the six months ended June 30, 2013, a 15% increase compared to $4.0 million for the six months ended June 30, 2012. The increase in trust fees was primarily due to the addition of new clients and increased assets under custody or administration. At June 30, 2013, assets under custody or administration were $5.6 billion, compared to $4.6 billion at June 30, 2012, an increase of 22%.

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

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
First Republic Investment Management	0.59 %	0.56 %	0.60 % (1)	0.59 %	0.62 %
Brokerage and Investment:					
Brokerage	0.11 %	0.09 %	0.13 %	0.11 %	0.13 %
Money Market Mutual Funds	0.06 %	0.06 %	0.09 %	0.08 %	0.08 %
Total Brokerage and Investment	0.11 %	0.09 %	0.12 %	0.11 %	0.13 %
Trust Company:					
Trust	0.25 %	0.24 %	0.33 %	0.30 %	0.23 %
Custody (2)	0.13 %	0.11 %	0.11 %	0.13 %	0.17 %
Total Trust Company	0.19 %	0.17 %	0.21 %	0.21 %	0.20 %
Total Wealth Management	0.37 %	0.36 %	0.35 %	0.34 %	0.35 %

(1) Amounts for the three months ended December 31, 2012 exclude the impact of the Luminous asset purchase on December 28, 2012.

(2) All periods have been adjusted to exclude safekeeping assets from the Bank's private equity and venture capital clients.

Balance Sheet Analysis

Investments

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

($ in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Available-for-sale:			
Securities of U.S. states and political subdivisions:			
Taxable municipal securities	$ 47,455	$ 47,459	$ 46,501
Residential agency MBS	123,636	137,386	148,262
Residential non-agency MBS	16,055	17,661	17,838
Commercial MBS	535,001	589,661	569,017
Collateralized loan obligations	510,698	167,500	—
Marketable equity securities	985	766	480
Total	$ 1,233,830	$ 960,433	$ 782,098
Held-to-maturity:			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 2,547,548	$ 2,269,526	$ 2,044,368
Tax-exempt nonprofit debentures	191,333	221,306	223,709
Taxable municipal securities	53,201	53,222	53,241
Residential non-agency MBS	1,623	1,135	1,923
Total	$ 2,793,705	$ 2,545,189	$ 2,323,241

The investment securities portfolio represented 11% of total assets at June 30, 2013, compared to 10% at December 31, 2012 and June 30, 2012. The increase in the total portfolio since December 31, 2012 was primarily due to purchases of additional collateralized loan obligations and tax-exempt municipal securities.

At June 30, 2013, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio is well-diversified, with an average issuer position of approximately $5.8 million. The tax-exempt nonprofit debentures are securities issued through a state agency where we have a banking relationship with the nonprofit entity. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

Loan Portfolio

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

($ in millions)	June 30, 2013	December 31, 2012	June 30, 2012
Unpaid principal balance:			
Single family (1-4 units)	$ 17,728	$ 16,673	$ 15,193
Home equity lines of credit	1,892	1,888	1,934
Multifamily (5+ units)	3,598	3,007	2,632
Commercial real estate	3,127	2,909	2,719
Single family construction	264	234	209
Multifamily/commercial construction	218	171	129
Total real estate mortgages	26,827	24,882	22,816
Commercial business	3,045	2,600	2,036
Other secured	424	392	345
Unsecured loans and lines of credit	283	280	164
Stock secured	115	145	99
Total other loans	3,867	3,417	2,644
Total unpaid principal balance	30,694	28,299	25,460
Net unaccreted discount	(271)	(332)	(410)
Net deferred fees and costs	20	20	18
Carrying value	30,443	27,987	25,068
Allowance for loan losses	(148)	(130)	(97)
Loans, net	30,295	27,857	24,971
Single family loans held for sale	53	205	64
Total	$ 30,348	$ 28,062	$ 25,035

The following table separates our loan portfolio as of June 30, 2013 between loans acquired 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, 2013
Single family (1-4 units)	$ 4,428	$ 13,300	$ 17,728
Home equity lines of credit	880	1,012	1,892
Multifamily (5+ units)	659	2,939	3,598
Commercial real estate	1,028	2,099	3,127
Single family construction	7	257	264
Multifamily/commercial construction	1	217	218
Commercial business	445	2,600	3,045
Other secured	45	379	424
Unsecured loans and lines of credit	43	240	283
Stock secured	9	106	115
Total unpaid principal balance	7,545	23,149	30,694
Net unaccreted discount	(270)	(1)	(271)
Net deferred fees and costs	(7)	27	20
Allowance for loan losses	(15)	(133)	(148)
Loans, net	$ 7,253	$ 23,042	$ 30,295

The following table presents an analysis of the unpaid principal balance of our loan portfolio at June 30, 2013, including single family loans held for sale, by property type and major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Single family	$ 8,115	$ 4,041	$ 2,422	$ 1,462	$ 469	$ 194	$ 1,078	$ 17,781	58%
HELOCs	775	365	380	199	57	18	98	1,892	6%
Multifamily	2,120	422	278	88	406	42	242	3,598	12%
Commercial real estate	1,816	294	469	49	150	99	250	3,127	10%
Commercial business	1,445	572	493	314	108	2	111	3,045	10%
Construction	213	80	118	5	18	15	33	482	1%
Stock and other secured	195	113	43	71	3	5	109	539	2%
Unsecured	123	61	46	21	2	—	30	283	1%
Total	$ 14,802	$ 5,948	$ 4,249	$ 2,209	$ 1,213	$ 375	$ 1,951	$ 30,747	100%
% by location	48%	19%	14%	7%	4%	1%	7%	100%	

At June 30, 2013 and December 31, 2012, approximately 59% and 61%, respectively, of total loans (based on unpaid principal balance) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of the loans secured by real estate.

Single Family. We have offered single family loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. At June 30, 2013, approximately $13.0 billion, or 73%, of the unpaid principal balance of our single family loan portfolio, including loans held for sale, fully and evenly amortize until maturity following an initial interest-only period of generally ten years. Such loans were $13.0 billion, or 77% of our single family loan portfolio, at December 31, 2012. At June 30, 2013, loans of this type had a weighted average loan-to-value ratio ("LTV") of approximately 59%, based on appraised value at the time of origination and had credit scores averaging 758 at origination. Less than 1% of such home loans had an LTV at origination of more than 80%.

The following table presents additional LTV information at origination for single family loans, including loans held for sale, as of June 30, 2013:

($ in thousands)	June 30, 2013	
LTV at Origination	**Unpaid principal balance**	**% of unpaid principal balance of portfolio**
Less than or equal to 60%	$ 7,996,146	45.0%
Greater than 60% to 70%	5,253,779	29.5%
Greater than 70% to 80%	4,417,790	24.9%
Greater than 80% to 90%	87,745	0.5%
Greater than 90%	2,660	0.0%
Nonaccrual	23,593	0.1%
Total	$ 17,781,713	100.0%

We do not originate single family loans with the characteristics generally described as "subprime" or "high cost." Subprime loans are typically made to borrowers with little or no cash reserves and poor or limited credit. Often, subprime loans are underwritten using limited documentation. Over the past two years, the loans originated by us had a weighted average credit score of 764, and all of our home loans were underwritten using full documentation.

HELOCs. Our single family HELOC product requires the payment of interest each month on the outstanding balance. During the first ten years of the loan term, principal amounts may be repaid or drawn at the borrower's option. We underwrite HELOCs based on the same standards as single family home loans. As a result, our delinquency and loss experience on HELOCs has been similar to the experience for single family loans.

For HELOCs that are in second lien position, the LTVs in the table below are presented on a combined basis ("CLTV"), including the first residential mortgage. The following table presents CLTV information at origination for HELOCs, including both the unpaid principal balance and total commitment as of June 30, 2013:

($ in thousands)	June 30, 2013		
CLTV at Origination	**Unpaid principal balance**	**Total commitment**	**% of unpaid principal balance of portfolio**
Less than or equal to 60%	$ 993,192	$ 2,447,391	52.5%
Greater than 60% to 70%	587,697	1,299,016	31.1%
Greater than 70% to 80%	263,871	559,193	13.9%
Greater than 80% to 90%	25,440	33,882	1.3%
Greater than 90%	8,653	9,738	0.5%
Nonaccrual	12,996	14,180	0.7%
Total	$ 1,891,849	$ 4,363,400	100.0%

Multifamily. At June 30, 2013 and December 31, 2012, the unpaid principal balance of multifamily loans was $3.6 billion and $3.0 billion, respectively. At June 30, 2013 and December 31, 2012, included in this portfolio were $970.4 million and $772.4 million, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2013, for multifamily loans that allow for interest-only payments, the weighted average LTV was 57% based on the appraised value at the time of origination. Additionally, at June 30, 2013 and December 31, 2012, we had committed to lend $99.0 million and $72.0 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance under such commitments at June 30, 2013 and December 31, 2012 was $45.4 million and $35.0 million, respectively, representing 1% of the portfolio at June 30, 2013 and December 31, 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate. At June 30, 2013 and December 31, 2012, the unpaid principal balance of commercial real estate loans was $3.1 billion and $2.9 billion, respectively. At June 30, 2013 and December 31, 2012, included in this portfolio were $572.4 million and $537.2 million, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At June 30, 2013, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 51% based on the appraised value at the time of origination. Additionally, at June 30, 2013 and December 31, 2012, we had committed to lend $165.4 million and $170.7 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance under such commitments at June 30, 2013 and December 31, 2012 was $53.2 million and $63.8 million, respectively, representing 2% of the portfolio at June 30, 2013 and December 31, 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Business. At June 30, 2013 and December 31, 2012, the unpaid principal balance of commercial business loans was $3.0 billion and $2.6 billion, respectively. The following table presents the unpaid principal balance and total commitment for commercial business loans by type at the dates indicated. As a result of standardizing industry codes, certain reclassifications have been made in the table below for December 31, 2012 to conform to the current period presentation.

	June 30, 2013		December 31, 2012	
($ in thousands)	**Unpaid principal balance**	**Total commitment**	**Unpaid principal balance**	**Total commitment**
Private Equity/Venture Capital Funds	$ 747,091	$ 2,012,202	$ 630,304	$ 1,914,497
Schools/Non-profit Organizations	1,141,858	1,544,581	922,070	1,181,715
Investment Firms	140,970	364,189	184,174	414,131
Entertainment Industry	153,867	287,268	138,515	211,366
Professional Service Firms	126,969	272,512	127,735	270,368
Real Estate Related Entities	138,608	243,698	139,709	230,814
Clubs and Membership Organizations	146,393	163,522	98,165	112,864
Aircraft/Watercraft	124,757	127,717	127,109	128,376
Vineyards/Wine	76,487	110,568	52,632	88,384
Other	248,189	379,439	179,738	276,073
Total	$ 3,045,189	$ 5,505,696	$ 2,600,151	$ 4,828,588

Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans, primarily for our existing clients. At June 30, 2013, approximately 39% of our total loans were adjustable-rate or mature within one year. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through June 30, 2013, we have originated approximately $99 billion of loans, of which approximately $20 billion have been sold to investors.

Total loan originations were $5.3 billion for the second quarter of 2013, compared to $4.0 billion for the second quarter of 2012, an increase of 34%. The volume and type of loan originations depends on the level of interest rates, the number of personnel involved in lending, the demand for home loans in our markets and other economic conditions.

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

	Three Months Ended				
($ in thousands)	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Single family (1-4 units)	$ 2,845,928	$ 2,061,908	$ 2,260,035	$ 2,409,337	$ 2,318,492
Home equity lines of credit	353,087	259,789	322,440	251,804	290,988
Multifamily/commercial real estate	857,160	586,549	748,280	543,206	493,119
Commercial business	804,288	372,345	661,888	550,805	451,958
Construction	268,871	105,236	117,814	146,208	162,713
Other loans	180,860	160,031	191,535	139,484	246,309
Total loans originated	$ 5,310,194	$ 3,545,858	$ 4,301,992	$ 4,040,844	$ 3,963,579

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

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Purchase loans	44%	30%	37%	39%	42%
Refinance loans	56%	70%	63%	61%	58%
Total	100%	100%	100%	100%	100%

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans and certain larger single family loans require two appraisals (with the lower value used for underwriting purposes). Our practice is to seldom exceed an 80% LTV on single family loans, including HELOCs. LTV ratios generally decline as the size of the loan increases. At origination, we generally do not exceed a 75% LTV on multifamily loans and a 70% LTV on commercial real estate loans. At June 30, 2013, the approximate weighted average LTVs at origination for loans in our portfolio were 60% on single family loans, 56% (CLTV) on HELOCs, 58% on multifamily loans, 55% on commercial real estate loans and 58% on construction loans. These original LTVs change over time as property values fluctuate and principal payments are made.

We either retain originated home loans in our loan portfolio or sell the loans in whole loan or loan participation arrangements, either in the secondary market or in loan securitizations. Loan sales are highly dependent upon market conditions. We have retained in our loan portfolio both ARMs and intermediate-fixed rate loans. If interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers. Subject to market conditions, our ARMs generally provide for a life cap that is 5% to 6% above the initial interest rate, thereby protecting borrowers from unlimited interest rate increases. As part of our standard underwriting policy, borrowers undergo a qualification process for an ARM loan assuming an interest rate that is higher than the initial rate.

Asset Quality

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

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

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

($ in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Nonaccrual loans			
Single family	$ 22,985	$ 20,744	$ 18,816
HELOCs	12,871	4,825	3,559
Multifamily	2,584	3,335	4,835
Commercial real estate	6,629	6,599	245
Single family construction	3,448	—	—
Commercial business	14,137	13,567	1,046
Other	170	83	94
Total nonaccrual loans	62,824	49,153	28,595
Other real estate owned	—	—	3,490
Total nonperforming assets	$ 62,824	$ 49,153	$ 32,085
Nonperforming assets to total assets	0.17%	0.14%	0.10%
Restructured accruing loans	$ 18,766	$ 12,398	$ 7,978
Accruing loans 90 days or more past due	$ —	$ —	$ —

Approximately $32.5 million of the nonaccrual loans were current with respect to their payment terms at June 30, 2013, compared to $33.8 million at December 31, 2012.

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

Allowance for Loan Losses

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

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

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

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Allowance for loan losses:				
Balance at beginning of period	$ 136,100	$ 82,418	$ 129,889	$ 68,113
Provision	12,653	14,875	19,131	29,727
Charge-offs:				
Single family	—	(62)	—	(240)
HELOCs	—	—	(291)	(45)
Multifamily	—	(59)	—	(334)
Commercial business	(64)	(74)	(64)	(94)
Unsecured	(849)	(113)	(852)	(177)
Total charge-offs	(913)	(308)	(1,207)	(890)
Recoveries:				
Single family	6	30	12	42
HELOCs	42	—	42	6
Commercial business	15	32	19	34
Unsecured	404	2	421	17
Total recoveries	467	64	494	99
Net loan charge-offs	(446)	(244)	(713)	(791)
Balance at end of period	$ 148,307	$ 97,049	$ 148,307	$ 97,049
Average total loans for the period	$ 29,085,379	$ 24,059,408	$ 28,548,667	$ 23,404,138
Total loans at period end	$ 30,442,625	$ 25,068,011	$ 30,442,625	$ 25,068,011
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.01%	0.00%	0.01%	0.01%
Allowance for loan losses to:				
Total loans	0.49%	0.39%	0.49%	0.39%
Nonaccruing loans	236.1%	339.4%	236.1%	339.4%

At June 30, 2013, the allowance for loan losses was 0.49% of our total loan portfolio, compared to 0.46% at December 31, 2012. At June 30, 2013, $133.4 million of the allowance for loan losses relates to the loans outstanding that were originated since July 1, 2010, and represented 0.58% of such loans outstanding, compared to 0.59% at December 31, 2012.

We also 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.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
($ in thousands)	Ratio [(1)]	Amount	Ratio [(1)]	Amount	Ratio [(1)]	Amount	Ratio [(1)]	Amount
Net loan charge-offs to:								
Allowance for loan losses	0.01%	$ 446	0.00%	$ 244	0.01%	$ 713	0.01%	$ 791
Loan discounts	0.00%	36	0.00%	45	0.00%	39	0.00%	84
Total	0.01%	$ 482	0.00%	$ 289	0.01%	$ 752	0.01%	$ 875

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

Due to recently received information, the Bank expects that deterioration in a single, partially secured, lending relationship may result in the charge-off of approximately $9.0 million to its unallocated allowance for loan losses during the third quarter of 2013. If a full charge-off of this relationship had occurred in the second quarter of 2013, the net loan charge-off ratio would have been 5 basis points of average total loans for the twelve months ended June 30, 2013.

Mortgage Banking Activities

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2013	2012	2013	2012
Single family loans originated	$ 2,845,928	$ 2,318,492	$ 4,907,836	$ 3,933,739
Loans sold:				
Agency	$ 199,963	$ 191,878	$ 365,244	$ 308,118
Non-agency	745,442	243,908	1,798,301	679,718
Total loans sold	$ 945,405	$ 435,786	$ 2,163,545	$ 987,836
Gain on sale of loans:				
Amount	$ 8,779	$ 4,754	$ 34,769	$ 8,563
Gain as a percentage of loans sold	0.93%	1.09%	1.61%	0.87%

The higher level of gain on sales in the second quarter of 2013 compared to the same period in 2012 was driven primarily by a higher volume of loans sold. The higher level of gain on sales for the six months ended June 30, 2013 compared to the same period in 2012 was driven primarily by improved pricing on loans sold and a higher volume of loans sold. The level of future loan originations, loan sales and loan repayments depends on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset/liability management strategies.

In connection with loan sales, we retain substantially all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. We retain MSRs on substantially all loans that we sell to institutional investors and governmental agencies. We do not provide any financial or performance guarantees to the investors who purchase our loans and do not have any recourse obligations on the loans that we have sold. In accordance with secondary market standards, we make customary representations and warranties related to the origination and documentation of sold loans; however, we have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans under such representations and warranties.

Mortgage loans serviced for investors increased to \$6.0 billion at June 30, 2013, from \$4.6 billion at December 31, 2012 due to increased loan sales. Approximately 99% of our loans serviced for investors were secured by single family residences at June 30, 2013 and December 31, 2012. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At June 30, 2013, MSRs were \$28.9 million (48 basis points of loans serviced), compared to \$17.8 million (39 basis points of loans serviced) at December 31, 2012.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At June 30, 2013 and December 31, 2012, our total deposits were \$28.2 billion and \$27.1 billion, respectively. At December 31, 2012, noninterest-bearing deposits included certain accounts with unlimited insurance under the Dodd-Frank Act. After the expiration of unlimited insurance in 2013, these accounts were transferred to interest-bearing deposits.

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than \$250,000), provide a stable source of low cost funding. Core deposits totaled \$27.1 billion and \$26.3 billion, representing 96% and 97% of total deposits, at June 30, 2013 and December 31, 2012, respectively.

Deposits increased 4% at June 30, 2013 compared to December 31, 2012 as the Bank put a sharper emphasis on deposit growth. The following table presents deposits by region in which the accounts are serviced at the dates indicated. Our retail locations that gather deposits are designated as “Preferred Banking offices.”

($ in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Preferred Banking offices			
Northern California	$ 6,247,137	$ 6,170,601	$ 5,750,212
Metropolitan New York	1,497,311	1,500,193	1,254,256
Southern California	1,444,849	1,519,003	1,659,429
Boston	485,447	401,048	298,956
Subtotal	9,674,744	9,590,845	8,962,853
Preferred Banking			
Northern California	6,720,674	6,288,964	5,590,744
Metropolitan New York	3,525,397	3,527,781	2,857,299
Southern California	2,458,658	2,455,566	2,039,076
Boston	2,420,714	2,094,335	1,776,851
Subtotal	15,125,443	14,366,646	12,263,970
Wealth management	2,670,750	2,624,811	2,397,422
Other	757,704	505,945	591,058
Total deposits	$ 28,228,641	$ 27,088,247	$ 24,215,303

Overall, deposits in our Preferred Banking offices grew 8% since June 30, 2012. Checking and savings deposits in our Preferred Banking offices increased 13% since June 30, 2012. This deposit growth has resulted from client referrals, our general marketing initiatives, the cross-selling of products and the sales and service skills of individual employees. Growth has been distributed among personal and business checking accounts, money market and passbook savings accounts.

Preferred Banking deposits grew 23% since June 30, 2012. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or who entered into deposit relationships directly with a relationship manager, business banker 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. These deposits grew 11% during the last twelve months due to the addition of new clients, along with wealth management clients keeping excess cash in the Bank instead of other investment alternatives. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

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

($ in thousands)	June 30, 2013	December 31, 2012	June 30, 2012
Consumer deposits:			
Negotiable order of withdrawal ("NOW") checking	$ 5,624,428	$ 6,252,644	$ 4,310,295
Money Market ("MM") checking	2,145,183	2,110,421	1,916,169
Passbook	1,745,399	1,993,174	2,039,176
MM savings	2,443,640	2,320,573	1,952,205
CDs	3,458,468	2,966,030	3,380,353
	15,417,118	15,642,842	13,598,198
Business deposits:			
Business checking	8,325,998	7,700,153	7,002,009
Business MM checking	2,296,452	1,994,370	1,729,640
Business savings	2,189,073	1,750,882	1,885,456
	12,811,523	11,445,405	10,617,105
Total	$ 28,228,641	$ 27,088,247	$ 24,215,303

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, 2013 and December 31, 2012, our CDs having balances greater than $250,000 totaled $1.1 billion and $817.1 million, respectively. In addition, our CDs having balances of $100,000 or more totaled $2.5 billion and $2.0 billion at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, the weighted average contractual rate paid on CDs was 1.38%, down 22 basis points, compared to 1.60% at December 31, 2012. At June 30, 2013 and December 31, 2012, the average remaining maturity of all CDs was approximately 15.1 months and 17.3 months, respectively.

At June 30, 2013, the contractual maturities and weighted average contractual rate of our CDs were as follows:

	June 30, 2013	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
Certificates of deposit:		
July 1 - December 31, 2013	$ 883,507	0.86%
2014	1,501,715	1.11%
2015	490,660	2.64%
2016	421,131	1.92%
2017	43,798	1.29%
2018 and thereafter	104,878	1.51%
Subtotal	3,445,689	1.38%
Purchase accounting premium	12,779	
Total	$ 3,458,468	

Other Funding

Other sources of funding include federal funds purchased and short-term and long-term FHLB advances. Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less and long-term FHLB advances have an original maturity in excess of one year. At June 30, 2013 and December 31, 2012, we had short-term borrowings of $370.0 million and $75.0 million, respectively, and long-term FHLB advances of $4.4 billion and $3.2 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 3.5 years at June 30, 2013.

The following table presents the contractual maturities and weighted average contractual rate of our FHLB advances at June 30, 2013:

	June 30, 2013	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
FHLB advances maturing in:		
July 1 - December 31, 2013	$ 250,000	0.10%
2014	300,000	1.25%
2015	850,000	1.67%
2016	950,000	1.53%
2017	950,000	1.64%
2018 and thereafter	1,300,000	1.58%
Total	$ 4,600,000	1.50%

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at June 30, 2013 was $7.6 billion and $2.1 billion, respectively. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of liability-based funding, such as deposits and borrowings. At June 30, 2013, our investment securities portfolio of $4.0 billion and cash and cash equivalents of $591.7 million comprised 12% of total assets. At June 30, 2013, we had $7.6 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $2.1 billion 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.

We may also, from time to time, issue additional common stock, preferred stock, senior or subordinated notes or other forms of capital or debt instruments, depending on our capital, funding, asset-liability management or other needs as market conditions warrant and subject to any required regulatory approvals.

During the six months ended June 30, 2013, we originated $8.9 billion of loans, purchased $730.1 million of investment securities and had a net increase in deposits of $1.1 billion, which were funded by loan repayments of $5.0 billion, the sale of $2.2 billion of loans, a net increase in short-term borrowings of $295.0 million and a net increase in long-term FHLB advances of $1.2 billion.

We had short-term borrowings of $370.0 million at June 30, 2013. These short-term borrowings are primarily utilized to fund short-term assets, such as loans held for sale and other floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit changes.

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

Capital Resources

At June 30, 2013, our total equity was $3.8 billion, which included $3.1 billion of common shareholders' equity and $689.5 million of the Bank's noncumulative perpetual preferred stock. At December 31, 2012, our total equity was $3.4 billion, which included $2.9 billion of common shareholders' equity and $499.5 million of the Bank's noncumulative perpetual preferred stock.

During the six months ended June 30, 2013, we completed a public offering of 7,600,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series D Preferred Stock with an aggregate liquidation preference of $190.0 million. Total net proceeds, after underwriting discounts and expenses, were approximately $183.8 million, all of which is Tier 1 capital of the Bank.

At June 30, 2013, our Tier 2 capital included the allowance for loan losses of $148.3 million and the reserve for unfunded commitments of $8.1 million. At December 31, 2012, our Tier 2 capital included the allowance for loan losses of $129.9 million and the reserve for unfunded commitments of $8.1 million.

Our capital ratios exceeded all applicable regulatory requirements at June 30, 2013 for well-capitalized institutions. As a condition of being a newly-chartered institution, we are required to maintain a Tier 1 capital to average assets (leverage ratio) of at least 8% through the first seven years after July 1, 2010. The following table presents our capital ratios at June 30, 2013 and the standards for both well-capitalized depository institutions and minimum capital requirements:

($ in thousands)	Actual		Minimum Capital Requirement Ratio	Well-Capitalized Ratio
	Capital Amount	Ratio		
Tier 1 capital to average assets	$ 3,516,925	9.83%	4.00%	5.00%
Tier 1 capital to risk-weighted assets	$ 3,516,925	13.52%	4.00%	6.00%
Total capital to risk-weighted assets	$ 3,673,559	14.12%	8.00%	10.00%

See "Key Factors Affecting Our Business and Financial Statements—New Capital Rules" on page 53 for recently finalized rules relating to regulatory capital.

Current Accounting Developments

The following pronouncement has been issued by the Financial Accounting Standards Board ("FASB") but is not yet effective:

- In July 2013, the FASB issued amendments to Accounting Standards Codification 740-10, "Income Taxes," which require an entity with a net operating loss carryforward, a tax credit carryforward or a similar tax loss to present unrecognized tax benefits as a reduction in deferred tax assets in the statement of financial position when certain criteria are met. These amendments were issued to eliminate diversity in practice that currently exists for presenting unrecognized tax benefits as either a reduction in deferred tax assets or as a liability. The amendments are effective for interim and annual periods beginning after December 15, 2013 and will be applied prospectively. Early adoption and retrospective application are permitted. The adoption of this new guidance is not expected to have a significant impact on our financial condition, results of operations or cash flows. We do not intend to adopt this guidance early.

Use of Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP in the United States and the prevailing practices in the banking industry. However, due to the application of purchase accounting from the Bank's re-establishment as an independent institution, management uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate our performance, including net income, earnings per share, net interest margin and the efficiency ratio.

Our net income, earnings per share, net interest margin and efficiency ratio were significantly impacted by accretion and amortization of the fair value adjustments recorded in purchase accounting from the Bank's re-establishment as an independent institution. The accretion and amortization affect our net income, earnings per share and certain operating ratios as we accrete loan discounts to interest income; accrete discounts on loan commitments to noninterest income; amortize premiums on liabilities such as CDs and subordinated notes to interest expense; and amortize intangible assets to noninterest expense. In addition, earnings per share for the three and six months ended June 30, 2012 were impacted following the redemption of the FRPCC Series D preferred stock in the second quarter of 2012 due to the $13.2 million difference between the liquidation preference and the carrying value established in purchase accounting.

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

In the tables below, we have provided a reconciliation of, where applicable, the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios, or a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Non-GAAP earnings				
Net income	$ 113,719	$ 97,907	$ 236,027	$ 189,665
Accretion / amortization added to net interest income	(33,520)	(52,169)	(67,794)	(98,460)
Accretion added to noninterest income	—	(15)	—	(84)
Amortization of intangible assets	4,608	5,170	9,377	10,458
Add back tax impact of the above items	12,287	19,981	24,827	37,437
Non-GAAP net income	97,094	70,874	202,437	139,016
Dividends on preferred stock	(9,706)	(4,091)	(17,482)	(6,542)
Redemption of FRPCC preferred stock	—	(13,200)	—	(13,200)
Impact of FRPCC preferred stock redemption	—	13,200	—	13,200
Non-GAAP net income available to common shareholders	$ 87,388	$ 66,783	$ 184,955	$ 132,474
GAAP earnings per common share-diluted	$ 0.77	$ 0.60	$ 1.61	$ 1.27
Impact of purchase accounting, net of tax	(0.13)	(0.20)	(0.24)	(0.38)
Impact of FRPCC preferred stock redemption	—	0.10	—	0.10
Non-GAAP earnings per common share-diluted	$ 0.64	$ 0.50	$ 1.37	$ 0.99
Weighted average diluted common shares outstanding	135,595	134,002	135,428	133,816

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Yield on loans				
Interest income on loans	$ 294,215	$ 291,040	$ 582,308	$ 570,714
Add: Tax-equivalent adjustment on loans	4,377	2,439	8,344	4,527
Interest income on loans (tax-equivalent basis)	298,592	293,479	590,652	575,241
Less: Accretion	(30,484)	(45,768)	(61,318)	(83,921)
Non-GAAP interest income on loans (tax equivalent basis)	$ 268,108	$ 247,711	$ 529,334	$ 491,320
Average loans	$ 29,541,707	$ 24,182,518	$ 28,993,689	$ 23,589,409
Add: Average unamortized loan discounts	291,302	439,947	307,098	460,481
Average loans (non-GAAP)	$ 29,833,009	$ 24,622,465	$ 29,300,787	$ 24,049,890
Yield on loans-reported	4.02%	4.83%	4.07%	4.86%
Contractual yield on loans (non-GAAP)	3.58%	4.01%	3.61%	4.07%

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net interest margin				
Net interest income	$ 303,092	$ 290,597	$ 601,141	$ 571,865
Add: Tax-equivalent adjustment	19,629	15,943	38,956	30,986
Net interest income (tax-equivalent basis)	322,721	306,540	640,097	602,851
Less: Accretion / amortization	(33,520)	(52,169)	(67,794)	(98,460)
Non-GAAP net interest income (tax-equivalent basis)	$ 289,201	$ 254,371	$ 572,303	$ 504,391
Average interest-earning assets	$ 33,945,463	$ 28,594,134	$ 33,355,270	$ 27,741,169
Add: Average unamortized loan discounts	291,302	439,947	307,098	460,481
Average interest-earning assets (non-GAAP)	$ 34,236,765	$ 29,034,081	$ 33,662,368	$ 28,201,650
Net interest margin–reported	3.79%	4.27%	3.83%	4.32%
Net interest margin (non-GAAP)	3.37%	3.48%	3.39%	3.56%

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Efficiency ratio				
Net interest income	$ 303,092	$ 290,597	$ 601,141	$ 571,865
Less: Accretion / amortization	(33,520)	(52,169)	(67,794)	(98,460)
Net interest income (non-GAAP)	$ 269,572	$ 238,428	$ 533,347	$ 473,405
Noninterest income	$ 62,250	$ 36,639	$ 134,518	$ 69,284
Less: Accretion of discounts on loan commitments	—	(15)	—	(84)
Noninterest income (non-GAAP)	$ 62,250	$ 36,624	$ 134,518	$ 69,200
Total revenue	$ 365,342	$ 327,236	$ 735,659	$ 641,149
Total revenue (non-GAAP)	$ 331,822	$ 275,052	$ 667,865	$ 542,605
Noninterest expense	$ 200,139	$ 171,555	$ 397,573	$ 336,310
Less: Intangible amortization	(4,608)	(5,170)	(9,377)	(10,458)
Noninterest expense (non-GAAP)	$ 195,531	$ 166,385	$ 388,196	$ 325,852
Efficiency ratio	54.8%	52.4%	54.0%	52.5%
Efficiency ratio (non-GAAP)	58.9%	60.5%	58.1%	60.1%

We believe these non-GAAP measures and ratios, when taken together with the corresponding GAAP measures and ratios, provide meaningful supplemental information regarding our performance. Our management uses, and believes that investors benefit from referring to, these non-GAAP measures and ratios in assessing our operating results and related trends and when planning and forecasting future periods. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with GAAP.

Critical Accounting Policies and the Impact of Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for loan losses, estimated loan lives, interest rate risk, investments, goodwill, identifiable intangible assets, income taxes, contingencies, litigation and other operational risks. We base these estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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 2012 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management

We seek to measure and manage the potential impact of changes in interest rates on our net interest income and net interest margin, known as interest rate risk. Interest rate risk 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 checking and savings accounts, short and intermediate-term CDs, and fixed-rate term FHLB advances. We have also utilized overnight and short-term borrowings to fund certain assets, such as loans held for sale, or to bridge temporary funding gaps, such as those brought about by client investment activity or seasonal deposit changes. As an active and ongoing part of our ALM strategy, we have regularly sold long-term, fixed-rate single family mortgage loan originations and a portion of our single family hybrid ARM loan originations into the secondary market through ongoing, or "flow," transactions. We have also historically sold a portion of our single family adjustable-rate, hybrid ARM and fixed-rate loan originations in bulk loan transactions or securitizations. We sold $2.2 billion of longer-term, fixed-rate loans in the six months ended June 30, 2013, compared to loan sales of $987.8 million in the six months ended June 30, 2012.

Our net interest income and margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 63% of total earning assets at June 30, 2013, compared to 62% at December 31, 2012. Among remaining earning assets with reset periods of less than one year, those that reprice at least quarterly to market rate indices, such as Prime or London Interbank Offered Rate ("LIBOR"), totaled 26% of earning assets at June 30, 2013 and 27% at December 31, 2012. Those earning assets with lagging indices, such as COFI and the 12-month Treasury Average ("MTA") totaled 11% of earning assets at June 30, 2013 and December 31, 2012. Together, earning assets with reset periods of less than one year totaled 37% at June 30, 2013 and 38% at December 31, 2012.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. At June 30, 2013 and December 31, 2012, money market savings, money market checking and passbook deposit accounts together comprised 38% and 37% of total deposits, respectively. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which bear only a nominal interest rate that has tended not to fluctuate much with changes in interest rates historically. Total checking deposits comprised 50% and 52% of total deposits for the same respective period ends. CDs comprised 12% and 11% of total deposits at June 30, 2013 and December 31, 2012, respectively, and had a weighted average remaining maturity of 15.1 months and 17.3 months for the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At June 30, 2013, we did not have any active interest rate exchange agreements for hedging purposes.

In addition to the mix and pricing of earning assets and interest-bearing liabilities, our net interest income and margin are also affected by factors such as competition, conditions in loan markets, levels of loan sales and repayment rates, general interest rate trends including the steepness of the yield curve, repayment rates, the level and cost of FHLB advances and the level of our nonaccrual 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 coupon rates or margins.

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

Evaluation of Current Interest Rate Risk

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

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

The following table summarizes the interest rate gap analysis of our assets and liabilities at June 30, 2013:

($ in millions)

Repricing and Maturing Term	**12 Months or Less**	**>1 to 2 Years**	**>2 to 5 Years**	**>5 Years or Not Rate Sensitive**	**Total**
Assets:					
Cash and investments	$ 977	$ 41	$ 491	$ 3,110	$ 4,619
Loans, net [1], [2]	13,627	3,364	8,481	4,876	30,348
Other assets	268	—	734	1,344	2,346
Total assets	14,872	3,405	9,706	9,330	$ 37,313
Liabilities and Equity:					
Checking [3]	$ 6,639	$ —	$ —	$ 7,311	$ 13,950
Money market checking and savings deposits [3]	7,310	—	—	3,511	10,821
CDs	2,154	565	705	34	3,458
Short-term borrowings	370	—	—	—	370
Long-term FHLB advances	100	625	2,975	650	4,350
Other liabilities	38	—	—	539	577
Equity	—	—	—	3,787	3,787
Total liabilities and equity	16,611	1,190	3,680	15,832	$ 37,313
Repricing gap-positive (negative)	$ (1,739)	$ 2,215	$ 6,026	$ (6,502)	
Cumulative repricing gap:					
Dollar amount	$ (1,739)	$ 476	$ 6,502		
Percent of total assets	(4.7)%	1.3%	17.4%		

(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 5% to 6% over the lifetime of the loan.

(2) Includes loans held for sale.

(3) Checking, money market checking and savings deposits are contractually subject to immediate adjustment or withdrawal, although a portion of such deposits have proven to be stable and not rate sensitive historically. Periodically, we evaluate deposit account characteristics, such as trends in average account balance, in making certain assumptions in our interest rate risk analyses about the degree to which such deposits may adjust or migrate to adjustable-rate liabilities if interest rates were to change significantly. At June 30, 2013, we have revised slightly downward our assumption from a range of 50%-60% to a range of 45%-55% the amount of checking balances that may migrate to adjustable-rate liabilities if interest rates were to change significantly and approximately 70% of money market checking and savings deposits may be sensitive to changes in interest rates. This revision in assumptions was based on average account balances, changes in client type, and economic conditions affecting our clients.

At June 30, 2013, our two-year cumulative gap was a positive 1.3% of total assets, indicating we were somewhat asset sensitive to changes in interest rates over a two-year period. During 2013, we have continued to position ourselves for an eventual rise in interest rates primarily by entering into a series of longer-term, fixed-rate advances with the FHLB, which total $4.4 billion at June 30, 2013. Also, in July 2013, we continued to increase these longer-term, fixed-rate borrowings by adding $500.0 million to this position. Although we believe we are effectively managing our current exposure to changes in interest rates, we may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, additional loan repayments, purchases of investment securities, and changes in other assets.

The gap results presented could vary substantially if different assumptions were to be used or if actual experience were to differ from the assumptions used in the preparation of the gap analysis. Furthermore, the gap analysis provides a static view of interest rate risk exposure at a specific point in time and offers only an approximate estimate of the relative sensitivity of assets and liabilities to changes in market rates, the impact of certain optionalities embedded in our balance sheet such as contractual caps and floors, and growth trends in assets and liabilities. Accordingly, we combine the use of gap analysis with the use of a net interest income simulation model that provides a dynamic assessment of interest rate sensitivity.

Net Interest Income Simulation. We use a simulation model to measure and evaluate potential changes in our contractual net interest income, which excludes the impact of purchase accounting, 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, 2013, are presented in the following table. The projections assume both (a) parallel shifts upward of 100, 200, 300 and 400 basis points and parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In the current interest rate environment, a downward shift of 300 and 400 basis points does not provide meaningful results that can be utilized by management. In addition, in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
Change in Market Interest Rates	**Twelve Months Ending June 30, 2014**	**Twelve Months Ending June 30, 2015**
Shock:		
+400 basis points immediately	8.3 %	24.1 %
+300 basis points immediately	6.5 %	19.0 %
+200 basis points immediately	4.7 %	13.9 %
+100 basis points immediately	2.5 %	7.5 %
-100 basis points immediately	(3.3)%	(8.4)%
-200 basis points immediately	(4.1)%	(9.1)%
Ramp:		
+400 basis points over the next 12 months	1.9 %	18.2 %
+300 basis points over the next 12 months	1.5 %	14.5 %
+200 basis points over next 12 months	1.0 %	10.5 %
+100 basis points over next 12 months	0.4 %	5.3 %
-100 basis points over next 12 months	(1.0)%	(5.2)%
-200 basis points over next 12 months	(1.8)%	(7.7)%

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

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

Finally, these simulation results do not contemplate all the actions that we may undertake in response to 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, 2013, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

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, 2013 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 2012 Form 10-K. Any of the risks described in our 2012 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.

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

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

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

Recent Sales of Unregistered Securities

During the second quarter of 2013, we sold 16,305 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $579,000. These sales were exempt from registration under the Securities Act of 1933, as amended ("the Securities Act"), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

During the second quarter of 2013, we granted 23,940 restricted stock units (net of forfeitures) that are time vesting. In addition, we granted 2,100 restricted stock units and 100,000 performance share units (net of forfeitures), which vest over time provided that certain performance criteria are achieved. The aggregate grant date fair value of these awards was $4.8 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

During the second quarter of 2013, we completed a public offering of 7,600,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series D Preferred Stock with an aggregate liquidation preference of $190.0 million. Total net proceeds, after underwriting discounts and expenses, were approximately $183.8 million. The offering was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1	Performance Share Unit Agreement, dated as of June 27, 2013, between James H. Herbert, II and the Bank.
10.2	Performance Share Unit Agreement, dated as of June 27, 2013, between Katherine August-deWilde and the Bank.
11	Statement of Computation of Earnings Per Common Share.
12	Statement of Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

FIRST REPUBLIC BANK

Date: August 8, 2013	/s/ Willis H. Newton, Jr.
	Willis H. Newton, Jr. Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: August 8, 2013	/s/ Michael J. Roffler
	Michael J. Roffler Senior Vice President and Deputy Chief Financial Officer (Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN

PERFORMANCE SHARE UNIT AGREEMENT

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 27, 2013 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and James H. Herbert, II ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

WHEREAS, the Committee has determined that it is in the best interests of Bank and its shareholders to grant Participant a performance share unit award with respect to the target number of shares of Common Stock provided for herein.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

1. Grant of Performance Share Units. Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 50,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of the Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Performance Period (up to the target number) will be determined by the level of achievement of the performance goals ("Performance Goals") in accordance with Exhibit A attached hereto.

(a) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the meaning set forth in the Plan. In the event of conflict between the terms herein and the terms of the Plan, the terms of the Plan will govern the PSUs.

2. Terms and Conditions.

(a) Performance Period. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on April 1, 2013 and ending on March 31, 2016.

(b) Performance Goals. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved and the number of PSUs earned by Participant will be determined by the Committee. No later than forty-five (45) days following the end of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that Participant shall earn, if any, subject to compliance with the requirements of this Section 2. Such certification shall be final, conclusive and binding on Participant, and on all other persons, to the maximum extent permitted by law.

(c) Vesting. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the last day of the Performance Period, subject to (a) the Committee's certification of the level of achievement of the Performance Goals for payout as set forth in Exhibit A attached hereto, and (b) Participant's continuous service as an employee, director, consultant or advisor to Bank or its Affiliates ("Continuous Service") from the Grant Date through the last day of the Performance Period.

(d) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in this Agreement, if Participant's Continuous Service terminates for any reason at any time during the Performance Period, then Participant shall forfeit all outstanding, unvested PSUs, which shall terminate and expire on the date of such termination of Continuous Service without consideration to Participant and without any action by Bank or any Affiliate. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall thereafter have any rights or interest in such PSUs or consideration therefor.

(ii) Death or Disability. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's death, or Participant becomes disabled with the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability" or "Disabled") during the Performance Period, Participant will vest on such date in a pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that Participant was in Continuous Service during the Performance Period (or, in the case of Disability, the number of days in the Performance Period prior to Participant's Disability) and the denominator of which equals the total number of days in the Performance Period ("Pro Rata Portion"), and rounding to the nearest whole PSU.

(iii) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's career retirement with the approval of the Committee ("Retirement"), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals, and subject to Participant's compliance with the Employment Policies (as defined below) and the other provisions of Section 2(k).

(iv) Involuntary Termination. Notwithstanding Section 2(d)(i):

A. if Participant's Continuous Service terminates during the Performance Period as a result of Bank's termination of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012 (the "Employment Agreement")), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals; and

B. if Participant's Continuous Service terminates during the Performance Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement in the Employment Agreement), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not terminated, based on the level of achievement of the Performance Goals.

(e) Impact of a Change In Control on PSUs.

(i) Substitution or Assumption by Successor. Upon a "Change in Control" (as defined for purposes of this Agreement in the Employment Agreement) in which this Award is assumed or substituted with an equivalent value award, the Award (including any replacement award) will convert to a non-performance based award and will vest on the last day of the Performance Period in accordance with this Section 2 subject only to Continuous Service through such date (except as otherwise expressly provided in this Agreement), provided that the Target Award will be adjusted to the number of PSUs that would have been earned for the full Performance Period (without proration) if the Performance Goals had been achieved as follows:

A. If the Change in Control occurs within the first 18 months of the Performance Period, the number of PSUs will be determined as if the Performance Goals had been achieved at their respective target levels without regard to actual performance; and

B. If the Change in Control occurs after the first 18 months of the Performance Period, the number of PSUs will be determined based on actual performance through the calendar quarter ending immediately prior to the Change in Control.

Notwithstanding the preceding provisions of this Section 2(e)(i), if Participant's Continuous Service terminates during the Performance Period within 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the vesting of all of the outstanding PSUs subject to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)) will accelerate in full upon such termination.

For the sake of clarification, if Participant's Continuous Service terminates during the Performance Period but more than 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (without regard to actual performance but as adjusted pursuant to the immediately preceding clauses (A) and (B)). In addition, if Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Performance Period following the Change in Control, the provisions of Section 2(d)(ii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)), provided that if Retirement is within 24 months following the Change in Control, the PSUs shall be subject to settlement upon Participant's Retirement rather than on the last day of the Performance Period to the extent required by and subject to the conditions of Section 409A of the Code.

(ii) No Substitution or Assumption by Successor. The vesting of the PSUs shall be accelerated in full upon any Change in Control in which Bank terminates the Award in lieu of providing for continuation, assumption or substitution with equivalent value awards pursuant to the terms of the Plan.

(f) Settlement of PSUs. Upon vesting, each outstanding PSU will be settled through the delivery by Bank of one share of Bank Common Stock and any dividend equivalents credited with respect to such PSU, subject to compliance with Section 3(g) and the requirements of Section 409A of the Code. Notwithstanding any contrary provision of this Agreement, pursuant to Section 8(d)(ii) of the Plan, the Committee may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of any vested PSUs.

(g) Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock of Bank, Bank will credit to Participant, as of the payment date for such dividend, an amount equal to the number of PSUs subject to the Target Award as of the related dividend payment record date multiplied by the amount that would have been paid as a dividend on each outstanding Share at such payment date. Any amounts credited under this Section 2(g) shall be subject to the same restrictions and conditions that apply to the PSU with respect to which the amounts are credited and will be payable when the underlying PSU becomes payable. At the time the underlying PSU becomes payable, Bank has the discretion to pay any accrued dividend equivalents either in cash or in Shares. If the underlying PSU does not vest or is forfeited, any amounts credited under this Section 2(g) with respect to the underlying PSU will also fail to vest and be forfeited. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any PSUs which, as of the record date, have been paid or terminated.

(h) Transferability. Unless otherwise permitted by the Committee pursuant to Section 12(c) of the Plan, the PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against Bank; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(i) Rights as Shareholder. Participant shall not be deemed for any purpose to be the owner of any of the Shares underlying the PSUs unless, until and to the extent that (A) the PSU shall have become vested pursuant to its terms and (B) Bank shall have issued and delivered to Participant the Shares underlying such PSUs.

(j) Withholding Taxes. To the extent that the vesting of the PSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to Participant for federal or state tax purposes, Participant shall make adequate arrangements satisfactory to Bank, at its discretion, to meet Bank's obligations under applicable tax withholding laws or regulations. Unless Bank shall otherwise provide, Bank shall withhold Shares that would otherwise be issued upon vesting of the PSUs to cover applicable withholding taxes, equal to the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date on which the applicable tax liability is determined not in excess of the minimum amount required to satisfy the statutory withholding tax obligations with respect to the PSUs. Alternatively, Bank, in its sole discretion, may provide for the withholding of applicable taxes from the proceeds of the sale of Shares acquired upon vesting of the PSUs, either through a voluntary sale or through a mandatory sale arranged by Bank (on Participant's behalf pursuant to this authorization). Bank may also require Participant to deliver to Bank at the time of vesting of the PSUs or receipt of Shares, or the vesting or receipt of other amounts, as the case may be, such amount of money as Bank may require to satisfy all tax withholding obligations of Bank, and Participant also authorizes Bank to satisfy all such tax withholding obligations from his or her wages or other cash compensation payable to Participant by Bank. Bank may refuse to issue or deliver the Shares or other amounts unless all withholding taxes that may be due as a result of this award have been paid.

(k) Compliance with Employment Policies. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs, shall be conditioned on Participant's compliance with the restrictive covenants and other obligations set forth in Exhibit A hereto and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the PSUs upon Participant's written certification of his or her compliance with the Employment Policies and the other provisions of this Section 2(k).

(l) Recoupment. In the event of a material restatement of Bank's financial results, the Board has authority to seek reimbursement of any portion of the Award that is greater than would have been awarded if calculated based on the restated financial results. In addition, any recoupment or "clawback" policies adopted by the Committee pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law shall apply to this Award and any Shares that may be issued pursuant hereto to the extent the Committee provides at the time the policy is adopted.

3. Miscellaneous.

(a) Notices. All notices, demands or other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first class mail, return receipt requested, telecopier, courier service, overnight mail or personal delivery:

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

(ii) if to Participant, at Participant's last known address on file with Bank.

(b) No Right to Continued Employment. Nothing in the Plan or in this Agreement shall confer upon Participant any right to continue in the employ of Bank or the Affiliates or shall interfere with or restrict in any way the right of Bank or the Affiliates, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(c) Bound by Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan (other than those terms expressly excluded from application in this Agreement).

(d) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of Bank, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(e) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. The consent of Participant (or other holder of the PSUs) shall be required for any modification of the PSU or termination of the PSU pursuant to Sections 10, 11, 12(j)(ii) and 12(u) of the Plan, subject to the remainder of this Section 3(f). The consent of Participant (or other holder of the PSUs) shall not be required for any cancellation of the PSU pursuant to Section 10 of the Plan if (1) the cancellation of the PSU is in exchange for payment of the value of the PSU pursuant to clause (iii) of Section 10 of the Plan, (2) such cancellation and payment occurs immediately prior to or upon a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement pursuant to which some or all of the common stock of the Bank is exchanged for cash, (3) payment is made with respect to all of Participant's cancelled PSUs, whether or not vested, (4) the amount of the PSU cancelled immediately prior to or upon a Change in Control in accordance with this sentence does not exceed the percentage of the PSU that represents the percentage of common stock of Bank that is exchanged for cash pursuant to such Change in Control and (5) all other vested outstanding PSUs under the Plan are cancelled pursuant to clause (iii) of Section 10 of the Plan in at least the same proportion as described in the immediately preceding clause (4). The consent of Participant (or other holder of the PSUs) shall not be required for any equitable or proportionate adjustment required pursuant to Section 10 to preserve the value of the PSUs under an "equity restructuring" within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718. If a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement occurs, the consent of Participant (or other holder of the PSUs) shall not be required for either (1) a continuation, substitution or assumption of the PSUs that preserves the value of the PSUs, or (2) an acceleration of the lapse of restrictions on the PSUs, in each case pursuant to clause (ii) of Section 10 of the Plan. For purposes of the preceding sentence, a PSU will be considered substituted or assumed if, following the Change in Control, the PSU confers the right to receive, for each PSU Share, common equity of the relevant successor entity or any parent company thereof equal in fair market value to the per share consideration received by holders of common stock of Bank in the Change in Control (and of the same class or series of equity securities as received by such holders). Participant acknowledges that the Committee may effect any substitution or assumption permitted pursuant to this Section 3(f) in a manner that changes the kind of securities which may be delivered in respect of the PSUs, and, by way of example and without limitation, if a public company were to acquire Bank in a Change in Control as defined in Section 6(e)(4)(C) of the Employment

Agreement which results in Bank shareholders getting public company stock and Bank continuing as a subsidiary of such public company, restricted stock unit awards in respect of shares of stock of the public company acquirer may be substituted for the PSUs in a manner consistent with this Section 3(f).

(g) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. If the settlement of the Award is due on a termination of Continuous Service, such term shall be interpreted to mean a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code ("Separation from Service") that qualifies as a permitted payment event under Section 409A to the extent the Award is or has become subject to Section 409A. In addition, if the settlement of the Award is due upon a termination of Continuous Service that occurs within 24 months following a Change in Control, settlement will be accelerated from the date on which it would otherwise have been made only if the Change in Control also constitutes a change in the ownership or effective control of Bank, or in the ownership of a substantial portion of the assets of Bank, within the meaning of regulations issued under Section 409A(a)(2)(a)(v) of the Code, to the extent the Award is or has become subject to Section 409A. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the Separation from Service of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

(h) Code Section 162(m). All payments under this Award are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. This Award shall be construed and administered in a manner consistent with such intent.

(i) Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

(j) Entire Agreement. This Agreement, the Plan and the Shareholders Agreement, including all exhibits thereto, contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California.

(l) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto on the first date set forth above.

First Republic Bank

By: ______________________________ EVP & CFO

____
James H. Herbert, II

EXHIBIT A
to
FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN
PERFORMANCE SHARE UNIT AGREEMENT

PERFORMANCE GOALS

Subject to the terms and conditions of the Agreement and the Plan, the number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of two separate Performance Goals (with 50% of the PSUs subject to each Performance Goal) in accordance with the following schedule:

1. Absolute Return on Equity

50% of the PSUs subject to the Target Award (25,000 PSUs) will be earned only if Bank's average reported Return on Equity ("ROE") for each of the 12 calendar quarters during the Performance Period is equal to or greater than both (1) 10.5%, and (2) the median ROE reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Regional Bank Index (or comparable successor index). ROE for a quarter is calculated by dividing Net Income Available to Common Shareholders for the quarter by the average Common Shareholders' Equity for the quarter. If the average reported ROE of the Bank for the 12 quarters is less than either 10.5% or such median for peer group institutions, this 50% portion of the PSUs will not be earned.

2. Leverage Capital Regulatory Requirement

The remaining 50% of the PSUs subject to the Target Award (25,000 PSUs) will be earned only if the quarterly average Tier I Leverage Capital is maintained at a minimum level of 8.0% for the entire Performance Period. If the quarterly average is not maintained at this level or above for the entire Performance Period, this 50% portion of the PSUs will not be earned.

For purposes of determining the extent to which the Performance Goals have been achieved, the Committee shall appropriately adjust its evaluation of performance for the events described in clauses (1) through (8) of Section 9(a)(ii) of the Plan to the extent occurring during the Performance Period, as shown below:

The Committee shall appropriately adjust evaluation of performance under a Qualifying Performance Criteria to exclude the effect of any of the following events that occurs during a performance period: (1) asset impairments or write-downs; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (4) accruals for reorganization and restructuring programs; (5) any extraordinary nonrecurring items as described in Accounting Standards Codification (ASC) 225-20 and/or in managements' discussion and analysis of financial condition and results of operations appearing in the Bank's annual report to stockholders for the applicable year; (6) the operations of any business acquired by the Bank of any Affiliate or of any joint venture in which the Bank or any Affiliate participates; (7) the divestiture of one or more business operations or the assets thereof; or (8) the costs incurred in connection with such acquisitions or divestitures.

<u>EXHIBIT B</u>
to
FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN
<u>PERFORMANCE SHARE UNIT AGREEMENT</u>

RESTRICTIVE COVENANTS

(a) <u>Covenants</u>.

(i) <u>Non Solicitation</u>. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) <u>Non-Disparagement</u>. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or interanet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) <u>Confidential and Proprietary Information</u>. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which <u>all</u> of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, <u>provided</u> that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) <u>Confidentiality</u>. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(v) Cooperation. You agree (A) to provide truthful and complete cooperation, including but not limited to, your appearance at interviews and depositions, in all legal matters, including but not limited to, regulatory and litigation proceedings relating to your employment or areas of responsibility at Bank or its subsidiaries, whether or not such matters have already been commenced and through the conclusion of such matters or proceedings, and (B) to provide Bank's counsel, upon request, all documents or electronic media in your possession or control relating to such regulatory or litigation matter.

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

Confidential Information means any information concerning the business or affairs of Bank or any of its subsidiaries which is not generally known to the public and includes, but is not limited to, any file, document, book, account, list (including without limitation customer lists), process, patent, specification, drawing, design, computer program or file, computer disk, method of operation, recommendation, report, plan, survey, data, manual, strategy, financial data, client information or data (including the terms and conditions of any business relationships between clients and Bank or its subsidiaries), or contract which comes to your knowledge in the course of your employment or which is generated by you in the course of performing your obligations to Bank whether alone or with others.

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN

PERFORMANCE SHARE UNIT AGREEMENT

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 27, 2013 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and Katherine August-deWilde ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

WHEREAS, the Committee has determined that it is in the best interests of Bank and its shareholders to grant Participant a performance share unit award with respect to the target number of shares of Common Stock provided for herein.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

1. Grant of Performance Share Units. Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 50,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of the Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Performance Period (up to the target number) will be determined by the level of achievement of the performance goals ("Performance Goals") in accordance with Exhibit A attached hereto.

(a) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the meaning set forth in the Plan. In the event of conflict between the terms herein and the terms of the Plan, the terms of the Plan will govern the PSUs.

2. Terms and Conditions.

(a) Performance Period. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on April 1, 2013 and ending on March 31, 2016.

(b) Performance Goals. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved and the number of PSUs earned by Participant will be determined by the Committee. No later than forty-five (45) days following the end of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that Participant shall earn, if any, subject to compliance with the requirements of this Section 2. Such certification shall be final, conclusive and binding on Participant, and on all other persons, to the maximum extent permitted by law.

(c) Vesting. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the last day of the Performance Period, subject to (a) the Committee's certification of the level of achievement of the Performance Goals for payout as set forth in Exhibit A attached hereto, and (b) Participant's continuous service as an employee, director, consultant or advisor to Bank or its Affiliates ("Continuous Service") from the Grant Date through the last day of the Performance Period.

(d) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in this Agreement, if Participant's Continuous Service terminates for any reason at any time during the Performance Period, then Participant shall forfeit all outstanding, unvested PSUs, which shall terminate and expire on the date of such termination of Continuous Service without consideration to Participant and without any action by Bank or any Affiliate. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall thereafter have any rights or interest in such PSUs or consideration therefor.

(ii) Death or Disability. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's death, or Participant becomes disabled with the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability" or "Disabled") during the Performance Period, Participant will vest on such date in a pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that Participant was in Continuous Service during the Performance Period (or, in the case of Disability, the number of days in the Performance Period prior to Participant's Disability) and the denominator of which equals the total number of days in the Performance Period ("Pro Rata Portion"), and rounding to the nearest whole PSU.

(iii) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's career retirement with the approval of the Committee ("Retirement"), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals, and subject to Participant's compliance with the Employment Policies (as defined below) and the other provisions of Section 2(k).

(iv) Involuntary Termination. Notwithstanding Section 2(d)(i):

A. if Participant's Continuous Service terminates during the Performance Period as a result of Bank's termination of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012 (the "Employment Agreement")), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals; and

B. if Participant's Continuous Service terminates during the Performance Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement in the Employment Agreement), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not terminated, based on the level of achievement of the Performance Goals.

For purposes of this Agreement, during the period following Participant's transition to the role of Senior Advisor to Bank pursuant to the Consulting Agreement contemplated by Amendment No. 1 to the Employment Agreement, a termination of Participant's Continuous Service without Cause shall include a termination of the Consulting Agreement by Bank prior to the end of the term thereof other than by reason of a material breach by Advisor of the terms of the Consulting Agreement, or Participant's failure to be elected by shareholders to the Board of Directors of Bank or failure to be appointed by the Board as Vice Chairman of the Board.

(e) Impact of a Change In Control on PSUs.

(i) Substitution or Assumption by Successor. Upon a "Change in Control" (as defined for purposes of this Agreement in the Employment Agreement) in which this Award is assumed or substituted with an equivalent value award, the Award (including any replacement award) will convert to a non-performance based award and will vest on the last day of the Performance Period in accordance with this Section 2 subject only to Continuous Service through such date (except as otherwise expressly provided in this Agreement), provided that the Target Award will be adjusted to the number of PSUs that would have been earned for the full Performance Period (without proration) if the Performance Goals had been achieved as follows:

A. If the Change in Control occurs within the first 18 months of the Performance Period, the number of PSUs will be determined as if the Performance Goals had been achieved at their respective target levels without regard to actual performance; and

B. If the Change in Control occurs after the first 18 months of the Performance Period, the number of PSUs will be determined based on actual performance through the calendar quarter ending immediately prior to the Change in Control.

Notwithstanding the preceding provisions of this Section 2(e)(i), if Participant's Continuous Service terminates during the Performance Period within 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the vesting of all of the outstanding PSUs subject to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)) will accelerate in full upon such termination.

For the sake of clarification, if Participant's Continuous Service terminates during the Performance Period but more than 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (without regard to actual performance but as adjusted pursuant to the immediately preceding clauses (A) and (B)). In addition, if Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Performance Period following the Change in Control, the provisions of Section 2(d)(ii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)), provided that if Retirement is within 24 months following the Change in Control, the PSUs shall be subject to settlement upon Participant's Retirement rather than on the last day of the Performance Period to the extent required by and subject to the conditions of Section 409A of the Code.

(ii) No Substitution or Assumption by Successor. The vesting of the PSUs shall be accelerated in full upon any Change in Control in which Bank terminates the Award in lieu of providing for continuation, assumption or substitution with equivalent value awards pursuant to the terms of the Plan.

(f) Settlement of PSUs. Upon vesting, each outstanding PSU will be settled through the delivery by Bank of one share of Bank Common Stock and any dividend equivalents credited with respect to such PSU, subject to compliance with Section 3(g) and the requirements of Section 409A of the Code. Notwithstanding any contrary provision of this Agreement, pursuant to Section 8(d)(ii) of the Plan, the Committee may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of any vested PSUs.

(g) Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock of Bank, Bank will credit to Participant, as of the payment date for such dividend, an amount equal to the number of PSUs subject to the Target Award as of the related dividend payment record date multiplied by the amount that would have been paid as a dividend on each outstanding Share at such payment date. Any amounts credited under this Section 2(g) shall be subject to the same restrictions and conditions that apply to the PSU with respect to which the amounts are credited and will be payable when the underlying PSU becomes payable. At the time the underlying PSU becomes payable, Bank has the discretion to pay any accrued dividend equivalents either in cash or in Shares. If the underlying PSU does not vest or is forfeited, any amounts credited under this Section 2(g) with respect to the underlying PSU will also fail to vest and be forfeited. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any PSUs which, as of the record date, have been paid or terminated.

(h) Transferability. Unless otherwise permitted by the Committee pursuant to Section 12(c) of the Plan, the PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against Bank; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(i) Rights as Shareholder. Participant shall not be deemed for any purpose to be the owner of any of the Shares underlying the PSUs unless, until and to the extent that (A) the PSU shall have become vested pursuant to its terms and (B) Bank shall have issued and delivered to Participant the Shares underlying such PSUs.

(j) Withholding Taxes. To the extent that the vesting of the PSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to Participant for federal or state tax purposes, Participant shall make adequate arrangements satisfactory to Bank, at its discretion, to meet Bank's obligations under applicable tax withholding laws or regulations. Unless Bank shall otherwise provide, Bank shall withhold Shares that would otherwise be issued upon vesting of the PSUs to cover applicable withholding taxes, equal to the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date on which the applicable tax liability is determined not in excess of the minimum amount required to satisfy the statutory withholding tax obligations with respect to the PSUs. Alternatively, Bank, in its sole discretion, may provide for the withholding of applicable taxes from the proceeds of the sale of Shares acquired upon vesting of the PSUs, either through a voluntary sale or through a mandatory sale arranged by Bank (on Participant's behalf pursuant to this authorization). Bank may also require Participant to deliver to Bank at the time of vesting of the PSUs or receipt of Shares, or the vesting or receipt of other amounts, as the case may be, such amount of money as Bank may require to satisfy all tax withholding obligations of Bank, and Participant also authorizes Bank to satisfy all such tax withholding obligations from his or her wages or other cash compensation payable to

Participant by Bank. Bank may refuse to issue or deliver the Shares or other amounts unless all withholding taxes that may be due as a result of this award have been paid.

(k) Compliance with Employment Policies. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs, shall be conditioned on Participant's compliance with the restrictive covenants and other obligations set forth in Exhibit A hereto and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the PSUs upon Participant's written certification of his or her compliance with the Employment Policies and the other provisions of this Section 2(k).

(l) Recoupment. In the event of a material restatement of Bank's financial results, the Board has authority to seek reimbursement of any portion of the Award that is greater than would have been awarded if calculated based on the restated financial results. In addition, any recoupment or "clawback" policies adopted by the Committee pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law shall apply to this Award and any Shares that may be issued pursuant hereto to the extent the Committee provides at the time the policy is adopted.

3. Miscellaneous.

(a) Notices. All notices, demands or other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first class mail, return receipt requested, telecopier, courier service, overnight mail or personal delivery:

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

(ii) if to Participant, at Participant's last known address on file with Bank.

(b) No Right to Continued Employment. Nothing in the Plan or in this Agreement shall confer upon Participant any right to continue in the employ of Bank or the Affiliates or shall interfere with or restrict in any way the right of Bank or the

Affiliates, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(c) Bound by Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan (other than those terms expressly excluded from application in this Agreement).

(d) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of Bank, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(e) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. The consent of Participant (or other holder of the PSUs) shall be required for any modification of the PSU or termination of the PSU pursuant to Sections 10, 11, 12(j)(ii) and 12(u) of the Plan, subject to the remainder of this Section 3(f). The consent of Participant (or other holder of the PSUs) shall not be required for any cancellation of the PSU pursuant to Section 10 of the Plan if (1) the cancellation of the PSU is in exchange for payment of the value of the PSU pursuant to clause (iii) of Section 10 of the Plan, (2) such cancellation and payment occurs immediately prior to or upon a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement pursuant to which some or all of the common stock of the Bank is exchanged for cash, (3) payment is made with respect to all of Participant's cancelled PSUs, whether or not vested, (4) the amount of the PSU cancelled immediately prior to or upon a Change in Control in accordance with this sentence does not exceed the percentage of the PSU that represents the percentage of common stock of Bank that is exchanged for cash pursuant to such Change in Control and (5) all other vested outstanding PSUs under the Plan are cancelled pursuant to clause (iii) of Section 10 of the Plan in at least the same proportion as described in the immediately preceding clause (4). The consent of Participant (or other holder of the PSUs) shall not be required for any equitable or proportionate adjustment required pursuant to Section 10 to preserve the value of the PSUs under an "equity restructuring" within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718. If a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement occurs, the consent of Participant (or other holder of the PSUs) shall not be required for either (1) a continuation, substitution or assumption of the PSUs that preserves the value of the PSUs, or (2) an acceleration of the lapse of restrictions on the PSUs, in each case pursuant to clause (ii) of Section 10 of the Plan. For purposes of the preceding sentence, a PSU will be considered substituted or assumed if, following the Change in Control, the PSU confers the right to receive, for each PSU Share, common equity of the relevant successor entity or any parent company thereof equal in fair market value to the per share consideration received by holders of common stock of Bank in the Change in Control (and of the same class or series of equity securities as received by such holders). Participant acknowledges that the Committee may effect any substitution or assumption permitted pursuant to this Section 3(f) in a manner that changes the kind of securities which may be delivered in respect of the PSUs, and, by way of example and without limitation, if a public company were to acquire Bank in a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement which results in Bank shareholders getting public company stock and Bank continuing as a subsidiary of such public company, restricted stock unit awards in respect of shares of stock of the public company acquirer may be substituted for the PSUs in a manner consistent with this Section 3(f).

(g) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. If the settlement of the Award is due on a termination of Continuous Service, such term shall be interpreted to mean a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code ("Separation from Service") that qualifies as a permitted payment event under Section 409A to the extent the Award is or has become subject to Section 409A. In addition, if the settlement of the Award is due upon a termination of Continuous Service that occurs within 24 months following a Change in Control, settlement will be accelerated from the date on which it would otherwise have been made only if the Change in Control also constitutes a change in the ownership or effective control of Bank, or in the ownership of a substantial portion of the assets of Bank, within the meaning of regulations issued under Section 409A(a)(2)(a)(v) of the Code, to the extent the Award is or has become subject to Section 409A. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the

Separation from Service of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

(h) Code Section 162(m). All payments under this Award are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. This Award shall be construed and administered in a manner consistent with such intent.

(i) Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

(j) Entire Agreement. This Agreement, the Plan and the Shareholders Agreement, including all exhibits thereto, contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California.

(l) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto on the first date set forth above.

First Republic Bank

By: ______________________ EVP & CFO

____

Katherine August-deWilde

EXHIBIT A
to
FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN
PERFORMANCE SHARE UNIT AGREEMENT

PERFORMANCE GOALS

Subject to the terms and conditions of the Agreement and the Plan, the number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of two separate Performance Goals (with 50% of the PSUs subject to each Performance Goal) in accordance with the following schedule:

1. Absolute Return on Equity

50% of the PSUs subject to the Target Award (25,000 PSUs) will be earned only if Bank's average reported Return on Equity ("ROE") for each of the 12 calendar quarters during the Performance Period is equal to or greater than both (1) 10.5%, and (2) the median ROE reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Regional Bank Index (or comparable successor index). ROE for a quarter is calculated by dividing Net Income Available to Common Shareholders for the quarter by the average Common Shareholders' Equity for the quarter. If the average reported ROE of the Bank for the 12 quarters is less than either 10.5% or such median for peer group institutions, this 50% portion of the PSUs will not be earned.

2. Leverage Capital Regulatory Requirement

The remaining 50% of the PSUs subject to the Target Award (25,000 PSUs) will be earned only if the quarterly average Tier I Leverage Capital is maintained at a minimum level of 8.0% for the entire Performance Period. If the quarterly average is not maintained at this level or above for the entire Performance Period, this 50% portion of the PSUs will not be earned.

For purposes of determining the extent to which the Performance Goals have been achieved, the Committee shall appropriately adjust its evaluation of performance for the events described in clauses (1) through (8) of Section 9(a)(ii) of the Plan to the extent occurring during the Performance Period, as shown below:

The Committee shall appropriately adjust evaluation of performance under a Qualifying Performance Criteria to exclude the effect of any of the following events that occurs during a performance period: (1) asset impairments or write-downs; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (4) accruals for reorganization and restructuring programs; (5) any extraordinary nonrecurring items as described in Accounting Standards Codification (ASC) 225-20 and/or in managements' discussion and analysis of financial condition and results of operations appearing in the Bank's annual report to stockholders for the applicable year; (6) the operations of any business acquired by the Bank of any Affiliate or of any joint venture in which the Bank or any Affiliate participates; (7) the divestiture of one or more business operations or the assets thereof; or (8) the costs incurred in connection with such acquisitions or divestitures.

<u>EXHIBIT B</u>
to
FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN
<u>PERFORMANCE SHARE UNIT AGREEMENT</u>

RESTRICTIVE COVENANTS

(a) <u>Covenants</u>.

(i) <u>Non Solicitation</u>. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) <u>Non-Disparagement</u>. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or interanet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) <u>Confidential and Proprietary Information</u>. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(v) Cooperation. You agree (A) to provide truthful and complete cooperation, including but not limited to, your appearance at interviews and depositions, in all legal matters, including but not limited to, regulatory and litigation proceedings relating to your employment or areas of responsibility at Bank or its subsidiaries, whether or not such matters have already been commenced and through the conclusion of such matters or proceedings, and (B) to provide Bank's counsel, upon request, all documents or electronic media in your possession or control relating to such regulatory or litigation matter.

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

Confidential Information means any information concerning the business or affairs of Bank or any of its subsidiaries which is not generally known to the public and includes, but is not limited to, any file, document, book, account, list (including without limitation customer lists), process, patent, specification, drawing, design, computer program or file, computer disk, method of operation, recommendation, report, plan, survey, data, manual, strategy, financial data, client information or data (including the terms and conditions of any business relationships between clients and Bank or its subsidiaries), or contract which comes to your knowledge in the course of your employment or which is generated by you in the course of performing your obligations to Bank whether alone or with others.

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

EXHIBIT 11

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Basic EPS:				
Net income	$ 113,719	$ 97,907	$ 236,027	$ 189,665
Less: Dividends on preferred stock	9,706	4,091	17,482	6,542
Redemption of FRPCC preferred stock	—	13,200	—	13,200
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Weighted average common shares outstanding	131,102	129,890	130,975	129,694
Net income per common share-basic	$ 0.79	$ 0.62	$ 1.67	$ 1.31
Diluted EPS:				
Net income available to common shareholders	$ 104,013	$ 80,616	$ 218,545	$ 169,923
Weighted average shares:				
Common shares outstanding	131,102	129,890	130,975	129,694
Dilutive effect of stock options	4,338	4,081	4,282	4,111
Dilutive effect of restricted stock awards, restricted stock units and performance share units	155	31	171	11
Weighted average diluted common shares outstanding	135,595	134,002	135,428	133,816
Net income per common share-diluted	$ 0.77	$ 0.60	$ 1.61	$ 1.27

EXHIBIT 12

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

($ in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Six Months Ended Dec. 31, 2010	Six Months Ended June 30, 2010	Year Ended Dec. 31, 2009	Year Ended Dec. 26, 2008
Earnings before adjustment for fixed charges:										
Income before income taxes and noncontrolling interest in subsidiaries	$ 152,550	$ 140,806	$ 318,955	$ 275,112	$ 580,474	$ 554,732	$ 241,265	$ 228,381	$ 605,778	$ 20,526
Preferred stock dividends of subsidiaries	—	(1,088)	—	(2,676)	(2,676)	(7,774)	(4,168)	(4,168)	(8,381)	(8,335)
Redemption of subsidiary's preferred stock	—	(13,200)	—	(13,200)	(13,200)	—	—	—	—	—
Earnings before adjustment for fixed charges	$ 152,550	$ 126,518	$ 318,955	$ 259,236	$ 564,598	$ 546,958	$ 237,097	$ 224,213	$ 597,397	$ 12,191
Fixed charges and preferred stock dividend requirements:										
I. Excluding interest on deposits:										
Interest on borrowings	$ 16,398	$ 14,852	$ 31,085	$ 27,753	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479	$ 121,248
Preferred stock dividends of subsidiaries	—	1,088	—	2,676	2,676	7,774	4,168	4,168	8,381	8,335
Redemption of subsidiary's preferred stock	—	13,200	—	13,200	13,200	—	—	—	—	—
Estimated interest component of net rental expense	4,430	4,225	8,825	8,170	16,777	12,884	5,653	6,113	10,058	11,020
Total fixed charges, excluding interest on deposits	20,828	33,365	39,910	51,799	89,858	54,608	18,642	15,541	52,918	140,603
Preferred stock dividend requirements	16,880	7,115	30,403	11,377	32,597	—	—	—	—	—
Fixed charges and preferred stock dividend requirements	$ 37,708	$ 40,480	$ 70,313	$ 63,176	$ 122,455	$ 54,608	$ 18,642	$ 15,541	$ 52,918	$ 140,603
Earnings, including fixed charges	$ 173,378	$ 159,883	$ 358,865	$ 311,035	$ 654,456	$ 601,566	$ 255,739	$ 239,754	$ 650,315	$ 152,794
Ratio of earnings to fixed charges and preferred stock dividend requirements	4.60x	3.95x	5.10x	4.92x	5.34x	11.02x	13.72x	15.43x	12.29x	1.09x
II. Including interest on deposits:										
Interest on borrowings	$ 16,398	$ 14,852	$ 31,085	$ 27,753	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479	$ 121,248
Preferred stock dividends of subsidiaries	—	1,088	—	2,676	2,676	7,774	4,168	4,168	8,381	8,335
Redemption of subsidiary's preferred stock	—	13,200	—	13,200	13,200	—	—	—	—	—
Estimated interest component of net rental expense	4,430	4,225	8,825	8,170	16,777	12,884	5,653	6,113	10,058	11,020
Interest on deposits	13,254	16,678	24,264	31,665	56,981	83,268	45,116	90,339	223,964	273,036
Total fixed charges, including interest on deposits	34,082	50,043	64,174	83,464	146,839	137,876	63,758	105,880	276,882	413,639
Preferred stock dividend requirements	16,880	7,115	30,403	11,377	32,597	—	—	—	—	—
Fixed charges and preferred stock dividend requirements	$ 50,962	$ 57,158	$ 94,577	$ 94,841	$ 179,436	$ 137,876	$ 63,758	$ 105,880	$ 276,882	$ 413,639
Earnings, including fixed charges	$ 186,632	$ 176,561	$ 383,129	$ 342,700	$ 711,437	$ 684,834	$ 300,855	$ 330,093	$ 874,279	$ 425,830
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.66x	3.09x	4.05x	3.61x	3.96x	4.97x	4.72x	3.12x	3.16x	1.03x

EXHIBIT 31.1

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2013

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

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

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

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

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

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

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

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

Date: August 8, 2013

/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, 2013 (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 8, 2013

/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, 2013 (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 8, 2013

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