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 September 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 October 31, 2013 was 132,394,436.

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)	September 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 1,934,727	$ 602,264
Securities purchased under agreements to resell	19,373	30,901
Investment securities available-for-sale	1,221,802	960,433
Investment securities held-to-maturity (fair value of $2,960,597 and $2,773,398 at September 30, 2013 and December 31, 2012, respectively)	2,966,120	2,545,189
Loans	32,414,259	27,986,759
Less: Allowance for loan losses	(145,912)	(129,889)
Loans, net	32,268,347	27,856,870
Loans held for sale	60,054	204,631
Investments in life insurance	759,240	701,672
Prepaid expenses and other assets	653,001	575,741
Tax credit investments	626,582	484,548
Premises, equipment and leasehold improvements, net	162,839	142,201
Goodwill	106,549	106,549
Other intangible assets	138,963	158,892
Mortgage servicing rights	29,870	17,786
Other real estate owned	3,353	—
Total Assets	$ 40,950,820	$ 34,387,677
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking accounts	$ 8,554,095	$ 8,544,472
Interest-bearing checking accounts	6,440,239	5,408,325
Money Market (MM) checking accounts	5,111,552	4,104,791
MM savings and passbooks	7,151,758	6,064,629
Certificates of deposit	4,032,725	2,966,030
Total deposits	31,290,369	27,088,247
Short-term borrowings	—	75,000
Long-term debt	5,150,000	3,150,000
Debt related to variable interest entity	46,999	56,450
Other liabilities	584,655	619,436
Total Liabilities	37,072,023	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 September 30, 2013 and December 31, 2012, respectively	689,525	499,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 132,178,545 shares and 131,273,485 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	1,322	1,313
Additional paid-in capital	2,043,498	2,027,578
Retained earnings	1,127,077	838,752
Accumulated other comprehensive income	17,375	31,376
Total Shareholders' Equity	3,878,797	3,398,544
Total Liabilities and Shareholders' Equity	$ 40,950,820	$ 34,387,677

See accompanying notes to financial statements.

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

($ in thousands, except per share amounts)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest income:				
Loans	$ 303,747	$ 295,045	$ 886,055	$ 865,759
Investments	41,212	31,638	115,121	90,762
Cash and cash equivalents	1,091	653	1,364	2,098
Total interest income	346,050	327,336	1,002,540	958,619
Interest expense:				
Deposits	18,504	13,584	42,768	45,249
Borrowings	19,336	14,931	50,421	42,684
Total interest expense	37,840	28,515	93,189	87,933
Net interest income	308,210	298,821	909,351	870,686
Provision for loan losses	10,023	16,505	29,154	46,232
Net interest income after provision for loan losses	298,187	282,316	880,197	824,454
Noninterest income:				
Investment advisory fees	28,766	15,376	81,390	42,749
Brokerage and investment fees	2,518	2,346	7,980	7,778
Trust fees	2,552	2,376	7,110	6,334
Foreign exchange fee income	2,938	3,297	10,664	8,357
Deposit fees	4,458	3,522	13,713	10,248
Gain on sale of loans	1,215	12,547	35,984	21,110
Loan servicing fees, net	3,443	(2,916)	5,078	(5,524)
Loan and related fees	1,753	1,514	5,774	4,462
Income from investments in life insurance	5,813	4,985	17,609	15,974
Other income	176	792	2,848	1,635
Total noninterest income	53,632	43,839	188,150	113,123
Noninterest expense:				
Salaries and employee benefits	98,880	87,204	298,921	251,244
Occupancy	22,822	21,229	67,814	61,814
Information systems	20,496	18,843	57,823	52,763
Tax credit investments	11,972	5,348	34,152	15,119
Amortization of intangibles	6,430	5,087	19,929	15,545
FDIC and other deposit assessments	6,849	6,400	20,476	17,702
Advertising and marketing	5,820	5,953	18,465	19,059
Professional fees	6,355	5,263	15,172	14,994
Other expenses	24,023	23,063	68,468	66,460
Total noninterest expense	203,647	178,390	601,220	514,700
Income before provision for income taxes	148,172	147,765	467,127	422,877
Provision for income taxes	36,189	45,069	119,117	128,978
Net income before noncontrolling interests	111,983	102,696	348,010	293,899
Less: Net income from noncontrolling interests	—	—	—	1,538
First Republic Bank net income	111,983	102,696	348,010	292,361
Dividends on preferred stock and other	10,389	5,667	27,871	25,409
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Net income before noncontrolling interests	$ 111,983	$ 102,696	$ 348,010	$ 293,899
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on securities available-for-sale	(1,353)	11,081	(14,297)	25,355
Reclassification of loss (gain) on securities available-for-sale to net income	212	—	(559)	(702)
Reclassification of loss on cash flow hedges to net income	260	298	855	893
Other comprehensive income (loss)	(881)	11,379	(14,001)	25,546
Comprehensive income before noncontrolling interests	111,102	114,075	334,009	319,445
Less: Comprehensive income from noncontrolling interests	—	—	—	1,538
First Republic Bank comprehensive income	$ 111,102	$ 114,075	$ 334,009	$ 317,907
Basic earnings per common share	$ 0.77	$ 0.75	$ 2.44	$ 2.06
Diluted earnings per common share	$ 0.75	$ 0.72	$ 2.36	$ 1.99
Dividends per common share	$ 0.12	$ 0.10	$ 0.24	$ 0.10

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	—	—	—	—	292,361	—	292,361	1,538	293,899
Other comprehensive income	—	—	—	—	—	25,546	25,546	—	25,546
Issuance of preferred stock, net	—	349,525	—	(11,043)	—	—	338,482	—	338,482
Stock award compensation expense	—	—	—	15,976	—	—	15,976	—	15,976
Net issuance of common stock under stock plans	1,577,553	—	15	1,042	—	—	1,057	—	1,057
Excess tax benefits on stock compensation	—	—	—	9,482	—	—	9,482	—	9,482
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	—	(12,951)	—	—	(12,951)	(77,260)	(90,211)
Dividends on preferred stock	—	—	—	—	(12,209)	—	(12,209)	—	(12,209)
Dividends on common stock	—	—	—	—	(13,104)	—	(13,104)	—	(13,104)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(1,538)	(1,538)
Balance at September 30, 2012	**130,949,511**	**$ 349,525**	**$ 1,309**	**$ 2,023,338**	**$ 761,498**	**$ 26,732**	**$ 3,162,402**	**$ —**	**$ 3,162,402**
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	—	—	—	—	348,010	—	348,010	—	348,010
Other comprehensive loss	—	—	—	—	—	(14,001)	(14,001)	—	(14,001)
Issuance of preferred stock, net	—	190,000	—	(6,209)	—	—	183,791	—	183,791
Stock award compensation expense	—	—	—	19,835	—	—	19,835	—	19,835
Net issuance of common stock under stock plans	905,060	—	9	(11,019)	—	—	(11,010)	—	(11,010)
Excess tax benefits on stock compensation	—	—	—	13,313	—	—	13,313	—	13,313
Dividends on preferred stock	—	—	—	—	(27,871)	—	(27,871)	—	(27,871)
Dividends on common stock	—	—	—	—	(31,814)	—	(31,814)	—	(31,814)
Balance at September 30, 2013	**132,178,545**	**$ 689,525**	**$ 1,322**	**$ 2,043,498**	**$ 1,127,077**	**$ 17,375**	**$ 3,878,797**	**$ —**	**$ 3,878,797**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Nine Months Ended September 30, 2013	2012
Operating Activities:		
Net income before noncontrolling interests	$ 348,010	$ 293,899
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	29,154	46,232
Accretion of loan discounts	(89,326)	(125,272)
Depreciation and amortization	42,075	24,965
Amortization of mortgage servicing rights	7,103	5,824
(Reversal of) provision for mortgage servicing rights in excess of fair value, net	(1,705)	7,175
Net change in loans held for sale	164,609	82,821
Deferred income taxes	(4,034)	(22,519)
Gain on sale of loans	(35,984)	(21,110)
Other net gains	(972)	(147)
Noncash cost of stock awards	19,835	15,976
Excess tax benefits on stock compensation	(13,313)	(9,482)
Decrease in other assets	47,295	56,228
(Decrease) increase in other liabilities	(116,071)	22,593
Net Cash Provided by Operating Activities	396,676	377,183
Investing Activities:		
Loan originations, net of principal collections	(5,299,641)	(4,599,761)
Loans purchased	(153,693)	(3,345)
Loans sold	1,063,655	767,754
Purchases of securities available-for-sale	(448,810)	(139,949)
Proceeds from sales/calls/maturity of securities available-for-sale	191,725	100,370
Purchases of securities held-to-maturity	(476,428)	(371,595)
Proceeds from calls/maturity of securities held-to-maturity	55,918	17,006
Purchases of FHLB stock	(120,414)	(31,503)
Proceeds from redemptions of FHLB stock	40,655	—
Purchases of investments in life insurance	(40,000)	(93,000)
Net change in securities purchased under agreements to resell	11,528	(18,458)
Net change in tax credit investments	(109,180)	(103,346)
Additions to premises, equipment and leasehold improvements, net	(47,006)	(36,592)
Proceeds from sales of other assets	—	2,039
Net Cash Used for Investing Activities	(5,331,691)	(4,510,380)
Financing Activities:		
Net increase in deposits	4,210,812	3,262,706
Net decrease in short-term borrowings	(75,000)	(100,000)
Proceeds from long-term FHLB advances	2,000,000	1,050,000
Repayment of subordinated notes	—	(63,770)
Decrease in debt related to variable interest entity	(9,451)	(10,802)
Net proceeds from issuance of preferred stock	183,791	338,482
Proceeds from issuance of common stock under employee stock purchase plan	1,868	1,223
Proceeds from stock options exercised	1,830	9,916
Excess tax benefits on stock compensation	13,313	9,482
Redemption of noncontrolling interests in subsidiary’s preferred stock	—	(90,211)
Dividends on preferred stock	(27,871)	(12,209)
Dividends on common stock	(31,814)	(13,104)
Dividends to noncontrolling interests	—	(1,538)
Net Cash Provided by Financing Activities	6,267,478	4,380,175
Increase in Cash and Cash Equivalents	1,332,463	246,978
Cash and Cash Equivalents at the Beginning of Period	602,264	630,780
Cash and Cash Equivalents at the End of Period	$ 1,934,727	$ 877,758
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 100,291	$ 108,673
Income taxes	$ 104,786	$ 137,868
Transfer of loans to held for sale	$ 1,066,028	$ 585,633
Transfer of repossessed assets from loans to other assets	$ 3,353	$ 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") and First Republic Lending Corporation ("FRLC"). The consolidated financial statements for the nine months ended September 30, 2013 and 2012 also included the accounts of First Republic Preferred Capital Corporation ("FRPCC"), which merged into FRLC during the third quarter of 2013. 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 nine months ended September 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)	September 30, 2013 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Securities of U.S. states and political subdivisions:				
Taxable municipal securities	$ 47,223	$ 227	$ —	$ 47,450
Residential agency mortgage-backed securities (“MBS”)	116,596	707	(1,332)	115,971
Residential non-agency MBS	15,502	—	(420)	15,082
Commercial MBS	500,509	33,295	—	533,804
Collateralized loan obligations	510,480	151	(2,548)	508,083
Marketable equity securities	480	932	—	1,412
Total	$ 1,190,790	$ 35,312	$ (4,300)	$ 1,221,802
Held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	$ 2,739,910	$ 59,108	$ (67,344)	$ 2,731,674
Tax-exempt nonprofit debentures	171,435	1,694	(6,382)	166,747
Taxable municipal securities	53,190	7,328	—	60,518
Residential non-agency MBS	1,585	73	—	1,658
Total	$ 2,966,120	$ 68,203	$ (73,726)	$ 2,960,597

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

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the “FHLB”) to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At September 30, 2013 and December 31, 2012, the carrying value of investment securities pledged was $2.7 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:

	September 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	$ (527)	$ 32,639	$ (805)	$ 9,363	$ (1,332)	$ 42,002
Residential non-agency MBS	(420)	15,082	—	—	(420)	15,082
Collateralized loan obligations	(2,548)	392,945	—	—	(2,548)	392,945
Total	$ (3,495)	$ 440,666	$ (805)	$ 9,363	$ (4,300)	$ 450,029
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$ (67,010)	$ 1,073,918	$ (334)	$ 7,185	$ (67,344)	$ 1,081,103
Tax-exempt nonprofit debentures	(6,382)	68,402	—	—	(6,382)	68,402
Total	$ (73,392)	$ 1,142,320	$ (334)	$ 7,185	$ (73,726)	$ 1,149,505

	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.

The unrealized losses on the Bank's investments in collateralized loan obligations are primarily due to spread widening that continued into the third 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 residential agency MBS portfolio noted above, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the continuing increase in longer-term interest rates during the third 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 nine months ended September 30, 2013 or the three months ended September 30, 2012. During the nine months ended September 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 $1.0 million included in earnings.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Sales proceeds	$ 34,259	$ —	$ 161,564	$ 58,798
Gross realized gains	$ —	$ —	$ 1,341	$ 1,220
Gross realized losses	$ (369)	$ —	$ (369)	$ —

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Interest income on tax-exempt securities	$ 28,756	$ 24,253	$ 81,322	$ 69,801
Interest income on taxable securities	9,450	7,212	28,327	20,488
Dividend income on FHLB stock	3,006	173	5,472	473
Total	$ 41,212	$ 31,638	$ 115,121	$ 90,762

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.

	September 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	3,825	3,857	3,495	3,544
Due after five years through ten years	91,188	90,509	27,048	27,625
Due after ten years	1,095,297	1,126,024	872,558	928,498
Total debt securities	$ 1,190,310	$ 1,220,390	$ 903,101	$ 959,667
Held-to-maturity:				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	5,672	5,728	—	—
Due after five years through ten years	2,818	2,988	8,937	9,278
Due after ten years	2,957,630	2,951,881	2,536,252	2,764,120
Total debt securities	$ 2,966,120	$ 2,960,597	$ 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 September 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 September 30, 2013, approximately 71% 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:

	September 30, 2013			
($ in thousands)	**Principal**	**Net Unaccreted Discount**	**Net Deferred Fees and Costs**	**Total**
Types of Loans:				
Single family (1-4 units)	$ 18,880,349	$ (131,129)	$ 36,949	$ 18,786,169
Home equity lines of credit	1,959,032	(12,670)	7,754	1,954,116
Multifamily (5+ units)	3,915,097	(20,287)	(9,061)	3,885,749
Commercial real estate	3,318,749	(56,767)	(8,007)	3,253,975
Single family construction	275,485	(529)	(1,982)	272,974
Multifamily/commercial construction	274,543	(61)	(4,293)	270,189
Total real estate mortgages	28,623,255	(221,443)	21,360	28,423,172
Commercial business	3,202,098	(18,497)	(4,671)	3,178,930
Other secured	422,651	(1,226)	206	421,631
Unsecured loans and lines of credit	271,393	(1,351)	18	270,060
Stock secured	120,195	(8)	279	120,466
Total other loans	4,016,337	(21,082)	(4,168)	3,991,087
Total loans	$ 32,639,592	$ (242,525)	$ 17,192	$ 32,414,259
Less:				
Allowance for loan losses				(145,912)
Loans, net				32,268,347
Single family loans held for sale				60,054
Total				$ 32,328,401

	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 $19.9 billion and $14.7 billion of loans to secure borrowings from the FHLB as of September 30, 2013 and December 31, 2012, respectively, although only approximately $6.4 billion and $4.2 billion, respectively, were required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At September 30, 2013 and December 31, 2012, purchased credit-impaired loans had an unpaid principal balance of $140.7 million and $201.5 million, respectively, and a carrying value of $124.3 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 nine months ended September 30, 2013 or the three months ended September 30, 2012. The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances of $43,000 during the nine months ended September 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 September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Accretable yield:				
Balance at beginning of period	$ 13,403	$ 23,240	$ 20,123	$ 24,368
Accretion	(3,135)	(4,055)	(12,421)	(12,708)
Reclassification from nonaccretable difference for loans with improving cash flows	170	143	1,207	3,390
Increase in expected cash flows	3,180	1,428	8,389	6,097
Resolutions/payments in full	(2,307)	(2)	(5,987)	(393)
Balance at end of period	$ 11,311	$ 20,754	$ 11,311	$ 20,754

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Allowance:				
Balance at beginning of period	$ 1,277	$ 2,263	$ 1,626	$ 461
Provision	1,237	37	1,409	2,467
Reversal of provision	(230)	(307)	(780)	(834)
Charge-offs	—	—	—	(108)
Recoveries	8	4	37	11
Balance at end of period	$ 2,292	$ 1,997	$ 2,292	$ 1,997

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 September 30, 2013 and December 31, 2012. Of the loans on nonaccrual status, at September 30, 2013, $40.6 million were current, compared to $33.8 million at December 31, 2012. The majority of these loans were current in accordance with their modified payment terms.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At September 30, 2013								
Single Family (1-4 units):								
Purchased non-impaired	$ 2,851	$ 1,959	$ —	$ 4,810	$ 3,874,424	$ 3,879,234	$ —	$ 745
Purchased non-impaired that subsequently became impaired		—	4,103	4,103	19,163	23,266	—	19,260
Purchased credit-impaired	—	—	186	186	13,051	13,237	—	186
Originated post June 30, 2010 non-impaired	32	—	1,175	1,207	14,868,779	14,869,986	—	1,175
Originated post June 30, 2010 impaired	—	—	446	446	—	446	—	446
	2,883	1,959	5,910	10,752	18,775,417	18,786,169	—	21,812
Home Equity Lines of Credit:								
Purchased non-impaired	3,922	—	157	4,079	795,649	799,728	—	1,379
Purchased non-impaired that subsequently became impaired	—	—	235	235	8,517	8,752	—	8,753
Purchased credit-impaired	—	—	291	291	3,910	4,201	—	291
Originated post June 30, 2010 non-impaired	—	—	—	—	1,139,014	1,139,014	—	—
Originated post June 30, 2010 impaired	—	—	—	—	2,421	2,421	—	2,421
	3,922	—	683	4,605	1,949,511	1,954,116	—	12,844
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	456,169	456,169	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,048	2,048	—	2,048
Purchased credit-impaired	—	—	—	—	41,556	41,556	—	494
Originated post June 30, 2010 non-impaired	—	—	—	—	3,385,976	3,385,976	—	—
	—	—	—	—	3,885,749	3,885,749	—	2,542
Commercial Real Estate:								
Purchased non-impaired	—	—	493	493	839,250	839,743	—	493
Purchased non-impaired that subsequently became impaired	—	—	—	—	6,161	6,161	—	6,161
Purchased credit-impaired	—	—	—	—	33,986	33,986	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	2,374,085	2,374,085	—	387
	—	—	493	493	3,253,482	3,253,975	—	7,041
Single Family Construction:								
Purchased non-impaired	—	—	—	—	6,617	6,617	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	262,909	262,909	—	—
Originated post June 30, 2010 impaired	—	—	3,448	3,448	—	3,448	—	3,448
	—	—	3,448	3,448	269,526	272,974	—	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 September 30, 2013								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,079	1,079	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	269,110	269,110	—	—
	—	—	—	—	270,189	270,189	—	—
Commercial Business:								
Purchased non-impaired	—	—	—	—	328,339	328,339	—	871
Purchased credit-impaired	—	—	—	—	30,696	30,696	—	3,220
Originated post June 30, 2010 non-impaired	—	—	—	—	2,819,895	2,819,895	—	—
	—	—	—	—	3,178,930	3,178,930	—	4,091
Other Secured:								
Purchased non-impaired	—	—	—	—	39,008	39,008	—	—
Originated post June 30, 2010 non-impaired	—	47	—	47	382,576	382,623	—	—
	—	47	—	47	421,584	421,631	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	68	1	—	69	40,447	40,516	—	—
Purchased credit-impaired	—	—	—	—	636	636	—	69
Originated post June 30, 2010 non-impaired	2,897	—	—	2,897	226,011	228,908	—	—
	2,965	1	—	2,966	267,094	270,060	—	69
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,384	4,384		—
Originated post June 30, 2010 non-impaired	—	—	—	—	116,082	116,082	—	—
	—	—	—	—	120,466	120,466	—	—
Total	$ 9,770	$ 2,007	$ 10,534	$ 22,311	$ 32,391,948	$ 32,414,259	$ —	$ 51,847

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:

($ in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Actual interest income recognized	$ 16	$ 10	$ 155	$ 10
Interest income under original terms	$ 552	$ 403	$ 1,269	$ 965

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 September 30, 2013 and December 31, 2012:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At September 30, 2013					
Single Family (1-4 units):					
Purchased non-impaired	$ 3,853,168	$ 4,680	$ 21,386	$ —	$ 3,879,234
Purchased non-impaired that subsequently became impaired	—	—	23,266	—	23,266
Purchased credit-impaired	11,386	399	1,452	—	13,237
Originated post June 30, 2010 non-impaired	14,867,873	750	1,363	—	14,869,986
Originated post June 30, 2010 impaired	—	—	446	—	446
	18,732,427	5,829	47,913	—	18,786,169
Home Equity Lines of Credit:					
Purchased non-impaired	780,570	9,327	9,831	—	799,728
Purchased non-impaired that subsequently became impaired	—	—	8,517	235	8,752
Purchased credit-impaired	3,528	—	673	—	4,201
Originated post June 30, 2010 non-impaired	1,131,289	7,725	—	—	1,139,014
Originated post June 30, 2010 impaired	—	—	2,421	—	2,421
	1,915,387	17,052	21,442	235	1,954,116
Multifamily (5+ units):					
Purchased non-impaired	453,931	1,469	769	—	456,169
Purchased non-impaired that subsequently became impaired	—	—	2,048	—	2,048
Purchased credit-impaired	10,907	28,528	2,121	—	41,556
Originated post June 30, 2010 non-impaired	3,385,103	—	873	—	3,385,976
	3,849,941	29,997	5,811	—	3,885,749
Commercial Real Estate:					
Purchased non-impaired	795,431	35,489	8,823	—	839,743
Purchased non-impaired that subsequently became impaired	—	—	6,161	—	6,161
Purchased credit-impaired	8,093	4,146	21,747	—	33,986
Originated post June 30, 2010 non-impaired	2,364,233	6,857	2,995	—	2,374,085
	3,167,757	46,492	39,726	—	3,253,975
Single Family Construction:					
Purchased non-impaired	3,503	—	3,114	—	6,617
Originated post June 30, 2010 non-impaired	262,909	—	—	—	262,909
Originated post June 30, 2010 impaired	—	—	3,448	—	3,448
	266,412	—	6,562	—	272,974
Multifamily/Commercial Construction:					
Purchased non-impaired	—	1,079	—	—	1,079
Originated post June 30, 2010 non-impaired	265,508	3,602	—	—	269,110
	265,508	4,681	—	—	270,189
Commercial Business:					
Purchased non-impaired	299,088	22,328	6,677	246	328,339
Purchased credit-impaired	19,492	7,235	3,969	—	30,696
Originated post June 30, 2010 non-impaired	2,776,981	30,648	12,266	—	2,819,895
	3,095,561	60,211	22,912	246	3,178,930
Other Secured:					
Purchased non-impaired	39,008	—	—	—	39,008
Originated post June 30, 2010 non-impaired	382,455	168	—	—	382,623
	421,463	168	—	—	421,631
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	40,516	—	—	—	40,516
Purchased credit-impaired	567	—	69	—	636
Originated post June 30, 2010 non-impaired	228,908	—	—	—	228,908
	269,991	—	69	—	270,060
Stock Secured:					
Purchased non-impaired	4,384	—	—	—	4,384
Originated post June 30, 2010 non-impaired	116,082	—	—	—	116,082
	120,466	—	—	—	120,466
Total	$ 32,104,913	$ 164,430	$ 144,435	$ 481	$ 32,414,259

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 September 30, 2013												
Allowance for loan losses:												
Beginning balance	$ 21,475	$ 5,170	$ 22,218	$ 18,283	$ 472	$ 1,264	$ 43,521	$ 7,210	$ 4,658	$ 369	$ 23,667	$ 148,307
Provision (reversal of provision)	626	507	(4,474)	(2,411)	14	331	15,031	290	(58)	36	131	10,023
Charge-offs	—	(322)	—	—	—	—	(11,998)	—	(119)	—	—	(12,439)
Recoveries	6	—	—	—	—	—	6	—	9	—	—	21
Ending balance	$ 22,107	$ 5,355	$ 17,744	$ 15,872	$ 486	$ 1,595	$ 46,560	$ 7,500	$ 4,490	$ 405	$ 23,798	$ 145,912
At or for the Nine Months Ended September 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)	3,391	1,024	(1,618)	(955)	34	455	21,693	995	400	(63)	3,798	29,154
Charge-offs	—	(613)	—	—	—	—	(12,062)	—	(971)	—	—	(13,646)
Recoveries	18	42	—	—	—	—	25	—	430	—	—	515
Ending balance	$ 22,107	$ 5,355	$ 17,744	$ 15,872	$ 486	$ 1,595	$ 46,560	$ 7,500	$ 4,490	$ 405	$ 23,798	$ 145,912
Ending balance: purchased loans evaluated collectively for impairment	$ 1,663	$ 2,068	$ 231	$ 931	$ 147	$ —	$ 1,556	$ —	$ —	$ —	$ —	$ 6,596
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,488	$ 330	$ 87	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,905
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 890	$ —	$ —	$ 1,402	$ —	$ —	$ —	$ —	$ 2,292
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 18,608	$ 2,948	$ 17,426	$ 14,051	$ 313	$ 1,595	$ 43,602	$ 7,500	$ 4,490	$ 405	$ 23,798	$ 134,736
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 348	$ 9	$ —	$ —	$ 26	$ —	$ —	$ —	$ —	$ —	$ —	$ 383
Loans:												
Ending balance	$ 18,786,169	$ 1,954,116	$ 3,885,749	$ 3,253,975	$ 272,974	$ 270,189	$ 3,178,930	$ 421,631	$ 270,060	$ 120,466		$ 32,414,259
Ending balance: purchased loans evaluated collectively for impairment	$ 3,879,234	$ 799,728	$ 456,169	$ 839,743	$ 6,617	$ 1,079	$ 328,339	$ 39,008	$ 40,516	$ 4,384		$ 6,394,817
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 23,266	$ 8,752	$ 2,048	$ 6,161	$ —	$ —	$ —	$ —	$ —	$ —		$ 40,227
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 13,237	$ 4,201	$ 41,556	$ 33,986	$ —	$ —	$ 30,696	$ —	$ 636	$ —		$ 124,312
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 14,869,986	$ 1,139,014	$ 3,385,976	$ 2,374,085	$ 262,909	$ 269,110	$ 2,819,895	$ 382,623	$ 228,908	$ 116,082		$ 25,848,588
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 2,421	$ —	$ —	$ 3,448	$ —	$ —	$ —	$ —	$ —		$ 6,315

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 September 30, 2012												
Allowance for loan losses:												
Beginning balance	$ 13,685	$ 3,939	$ 15,407	$ 14,187	$ 420	$ 873	$ 25,164	$ 5,576	$ 2,495	$ 303	$ 15,000	$ 97,049
Provision	3,197	785	1,500	824	47	147	7,039	516	1,685	80	685	16,505
Charge-offs	(191)	(178)	(50)	—	—	—	(95)	—	(60)	—	—	(574)
Recoveries	1	—	8	—	—	—	3	—	8	—	—	20
Ending balance	$ 16,692	$ 4,546	$ 16,865	$ 15,011	$ 467	$ 1,020	$ 32,111	$ 6,092	$ 4,128	$ 383	$ 15,685	$ 113,000
At or for the Nine Months Ended September 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	8,008	1,411	6,488	8,549	120	170	12,088	3,175	2,606	66	3,551	46,232
Charge-offs	(431)	(223)	(384)	—	—	—	(189)	—	(237)	—	—	(1,464)
Recoveries	43	6	8	—	—	—	37	—	25	—	—	119
Ending balance	$ 16,692	$ 4,546	$ 16,865	$ 15,011	$ 467	$ 1,020	$ 32,111	$ 6,092	$ 4,128	$ 383	$ 15,685	$ 113,000
Ending balance: purchased loans evaluated collectively for impairment	$ 2,358	$ 1,693	$ 1,760	$ 2,184	$ 144	$ —	$ 1,294	$ —	$ 130	$ —	$ —	$ 9,563
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,325	$ 671	$ 184	$ —	$ —	$ —	$ 1,990	$ —	$ —	$ —	$ —	$ 4,170
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 6	$ —	$ —	$ 1,793	$ —	$ —	$ 197	$ —	$ 1	$ —	$ —	$ 1,997
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 12,898	$ 2,182	$ 14,921	$ 11,034	$ 323	$ 1,020	$ 27,573	$ 6,092	$ 3,997	$ 383	$ 15,685	$ 96,108
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 105	$ —	$ —	$ —	$ —	$ —	$ 1,057	$ —	$ —	$ —	$ —	$ 1,162
Loans:												
Ending balance	$ 15,863,640	$ 1,875,632	$ 2,725,651	$ 2,713,376	$ 232,140	$ 149,664	$ 2,204,224	$ 372,132	$ 214,089	$ 122,884		$ 26,473,432
Ending balance: purchased loans evaluated collectively for impairment	$ 5,444,221	$ 1,071,194	$ 794,587	$ 1,216,593	$ 15,935	$ 10,165	$ 417,470	$ 56,004	$ 41,400	$ 13,064		$ 9,080,633
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 18,540	$ 3,234	$ 2,166	$ —	$ —	$ —	$ 8,533	$ —	$ —	$ —		$ 32,473
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 11,632	$ 4,472	$ 63,869	$ 64,615	$ —	$ 1,722	$ 36,450	$ 4,866	$ 848	$ —		$ 188,474
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 10,387,754	$ 796,387	$ 1,865,029	$ 1,432,168	$ 216,205	$ 137,777	$ 1,737,546	$ 311,262	$ 171,841	$ 109,820		$ 17,165,789
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 1,493	$ 345	$ —	$ —	$ —	$ —	$ 4,225	$ —	$ —	$ —		$ 6,063

The Bank evaluates reserves on unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, commercial business lines of credit and secured/unsecured lines of credit. In determining the level of reserve, the Bank determines the probability of funding for each portfolio segment using historical analysis regarding the amount of commitments that are typically outstanding over time. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $8.6 million at September 30, 2013 and $8.1 million at December 31, 2012.

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

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Average total loans for the period	$ 31,260,759	$ 25,798,547	$ 29,462,632	$ 24,208,100
Total loans at period end	$ 32,414,259	$ 26,473,432	$ 32,414,259	$ 26,473,432
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.16%	0.01%	0.06%	0.01%
Allowance for loan losses to:				
Total loans	0.45%	0.43%	0.45%	0.43%
Nonaccruing loans	281.4%	290.5%	281.4%	290.5%

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:

					At September 30, 2013						
	Three Months Ended September 30, 2013		Nine Months Ended September 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	$ 13,199	$ 240	$ 14,110	$ 809	$ 13,237	$ 15,115	$ 13,237	$ 15,115	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	25,849	49	20,809	112	23,266	23,904	11,675	12,134	11,591	11,770	1,488
Originated post June 30, 2010 impaired	446	—	2,195	3	446	448	—	—	446	448	348
	39,494	289	37,114	924	36,949	39,467	24,912	27,249	12,037	12,218	1,836
Home Equity Lines of Credit:											
Purchased credit-impaired	4,329	66	4,297	437	4,201	4,514	4,201	4,514	—	—	—
Purchased non-impaired that subsequently became impaired	8,868	—	6,347	9	8,752	8,845	4,086	4,157	4,666	4,688	330
Originated post June 30, 2010 impaired	2,338	—	1,601	—	2,421	2,441	—	—	2,421	2,441	9
	15,535	66	12,245	446	15,374	15,800	8,287	8,671	7,087	7,129	339
Multifamily (5+ units):											
Purchased credit-impaired	48,554	1,412	57,620	3,862	41,556	45,950	41,556	45,950	—	—	—
Purchased non-impaired that subsequently became impaired	2,065	—	2,097	—	2,048	2,178	—	—	2,048	2,178	87
	50,619	1,412	59,717	3,862	43,604	48,128	41,556	45,950	2,048	2,178	87
Commercial Real Estate:											
Purchased credit-impaired	36,793	800	48,588	4,807	33,986	39,665	20,667	23,803	13,319	15,862	890
Purchased non-impaired that subsequently became impaired	6,199	—	6,358	—	6,161	6,161	6,161	6,161	—	—	—
Originated post June 30, 2010 impaired	—	—	39	6	—	—	—	—	—	—	—
	42,992	800	54,985	4,813	40,147	45,826	26,828	29,964	13,319	15,862	890
Single Family Construction:											
Originated post June 30, 2010 impaired	3,448	—	3,448	73	3,448	3,448	—	—	3,448	3,448	26
Commercial Business:											
Purchased credit-impaired	31,296	585	32,696	2,028	30,696	34,563	23,133	25,858	7,563	8,705	1,402
Purchased non-impaired that subsequently became impaired	4,500	6	7,097	21	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	2,114	—	3,383	—	—	—	—	—	—	—	—
	37,910	591	43,176	2,049	30,696	34,563	23,133	25,858	7,563	8,705	1,402
Other Secured:											
Purchased credit-impaired	—	—	920	314	—	—	—	—	—	—	—
Unsecured Loans and Lines of Credit:											
Purchased credit-impaired	641	16	692	61	636	848	636	848	—	—	—
Total	$ 190,639	$ 3,174	$ 212,297	$ 12,542	$ 170,854	$ 188,080	$ 125,352	$ 138,540	$ 45,502	$ 49,540	$ 4,580

Impaired Loans:

($ in thousands)	At December 31, 2012						
	Total		With no related allowance recorded		With an allowance recorded		
	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 September 30, 2012 Average Recorded Investment	Three Months Ended September 30, 2012 Interest Income Recognized	Nine Months Ended September 30, 2012 Average Recorded Investment	Nine Months Ended September 30, 2012 Interest Income Recognized
Single Family (1-4 units):				
Purchased credit-impaired	$ 11,586	$ 245	$ 12,250	$ 759
Purchased non-impaired that subsequently became impaired	16,705	12	18,710	257
Originated post June 30, 2010 impaired	1,440	—	715	—
	29,731	257	31,675	1,016
Home Equity Lines of Credit:				
Purchased credit-impaired	5,038	247	7,753	997
Purchased non-impaired that subsequently became impaired	2,917	—	3,037	—
Originated post June 30, 2010 impaired	378	—	433	—
	8,333	247	11,223	997
Multifamily (5+ units):				
Purchased credit-impaired	63,840	1,118	64,173	3,480
Purchased non-impaired that subsequently became impaired	2,485	—	2,326	—
	66,325	1,118	66,499	3,480
Commercial Real Estate:				
Purchased credit-impaired	68,820	1,548	69,862	4,580
Multifamily/Commercial Construction:				
Purchased credit-impaired	1,718	33	1,759	114
Commercial Business:				
Purchased credit-impaired	28,990	700	30,789	2,366
Purchased non-impaired that subsequently became impaired	2,133	—	853	—
Originated post June 30, 2010 impaired	1,056	—	422	—
	32,179	700	32,064	2,366
Other Secured:				
Purchased credit-impaired	4,854	104	5,014	303
Unsecured Loans and Lines of Credit:				
Purchased credit-impaired	877	24	1,044	84
Total	$ 212,837	$ 4,031	$ 219,140	$ 12,940

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 September 30, 2013 and December 31, 2012:

Troubled Debt Restructurings:

($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
At September 30, 2013			
Single Family (1-4 units):			
Purchased non-impaired	$ 745	$ 8,808	$ 9,553
Purchased non-impaired that subsequently became impaired	9,340	—	9,340
Purchased credit-impaired	—	4,153	4,153
Originated post June 30, 2010 non-impaired	—	1,367	1,367
Originated post June 30, 2010 impaired	246	—	246
	10,331	14,328	24,659
Home Equity Lines of Credit:			
Purchased non-impaired	1,222	1,066	2,288
Purchased non-impaired that subsequently became impaired	6,061	—	6,061
Purchased credit-impaired	—	168	168
Originated post June 30, 2010 impaired	2,421	—	2,421
	9,704	1,234	10,938
Multifamily (5+ units):			
Purchased non-impaired that subsequently became impaired	2,048	—	2,048
Purchased credit-impaired	494	1,627	2,121
	2,542	1,627	4,169
Commercial Real Estate:			
Purchased non-impaired	—	880	880
Purchased non-impaired that subsequently became impaired	6,161	—	6,161
Purchased credit-impaired	—	1,819	1,819
Originated post June 30, 2010 non-impaired	387	—	387
	6,548	2,699	9,247
Commercial Business:			
Purchased non-impaired	625	62	687
Total	$ 29,750	$ 19,950	$ 49,700

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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Single Family (1-4 units):				
Purchased non-impaired	$ —	$ —	$ 1,119	$ 1,697
Purchased non-impaired that subsequently became impaired	1,437	4,413	7,149	4,413
Purchased credit-impaired	—	—	—	835
Originated post June 30, 2010 non-impaired	—	120	—	120
Originated post June 30, 2010 impaired	—	—	—	844
	1,437	4,533	8,268	7,909
Home Equity Lines of Credit:				
Purchased non-impaired	—	270	1,474	1,106
Purchased non-impaired that subsequently became impaired	195	—	3,868	—
Originated post June 30, 2010 impaired	300	—	300	—
	495	270	5,642	1,106
Multifamily (5+ units):				
Purchased credit-impaired	—	—	545	—
Commercial Real Estate:				
Purchased non-impaired	—	248	—	248
Originated post June 30, 2010 non-impaired	—	—	394	—
	—	248	394	248
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	$ 1,932	$ 5,051	$ 27,758	$ 10,139

The majority of the Bank's restructured loans are considered impaired and are evaluated individually for impairment under ASC 310-10-35. The resulting impairment, if any, would have an impact on the allowance for loan losses as a specific reserve and be measured under the same criteria as all other impaired loans. For those restructured loans that are purchased credit-impaired, any required allowance is evaluated based upon ASC 310-30. Certain restructured accruing loans may be deemed non-impaired and would therefore be evaluated for estimated losses under ASC 450. During the three and nine months ended September 30, 2013, loans related to one nonperforming commercial business loan relationship that were modified during the previous 12 months defaulted, and $12.0 million of charge-offs were recorded. No loans defaulted during the three and nine months ended September 30, 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Loans originated	$ 4,930,359	$ 4,040,844	$ 13,786,411	$ 11,160,949
Single family loans originated	$ 2,269,410	$ 2,409,337	$ 7,177,246	$ 6,343,076
Loans sold:				
Flow sales	$ 112,318	$ 460,593	$ 676,142	$ 1,015,739
Bulk sales	171,849	313,637	1,771,570	746,327
Total loans sold	$ 284,167	$ 774,230	$ 2,447,712	$ 1,762,066
Gain on sale of loans:				
Amount	$ 1,215	$ 12,547	$ 35,984	$ 21,110
Gain as percentage of loans sold	0.43%	1.62%	1.47%	1.20%

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:

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Loans serviced for others:				
Beginning balance	$ 6,035,550	$ 3,827,081	$ 4,580,859	$ 3,381,385
Loans sold	284,167	774,230	2,447,712	1,762,066
Repayments	(260,372)	(315,555)	(950,847)	(811,587)
Servicing transferred	—	—	—	(43,158)
Loans purchased	(98,259)	—	(98,259)	—
Loans repurchased	(3,716)	—	(22,095)	(2,950)
Consolidation of variable interest entity	—	(10,229)	—	(10,229)
Ending balance	$ 5,957,370	$ 4,275,527	$ 5,957,370	$ 4,275,527
MSRs:				
Beginning balance	$ 28,882	$ 17,415	$ 17,786	$ 17,269
Additions due to new loans sold	2,287	4,515	18,413	12,119
Amortization expense	(2,194)	(2,137)	(7,103)	(5,824)
Provision for valuation allowance	—	(3,406)	—	(7,175)
Reversal of valuation allowance	1,705	—	1,705	—
Reductions due to purchases	(784)	—	(784)	—
Reductions due to repurchases	(26)	—	(147)	(2)
Ending balance	$ 29,870	$ 16,387	$ 29,870	$ 16,387
Estimated fair value of MSRs	$ 41,950	$ 20,712	$ 41,950	$ 20,712
MSRs as a percent of loans serviced	0.50%	0.38%	0.50%	0.38%
Weighted average servicing fee collected for the period (annualized)	0.26%	0.27%	0.26%	0.27%
MSRs as a multiple of weighted average servicing fee	1.91x	1.45x	1.93x	1.43x

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

($ in thousands)	At or for the Three Months Ended September 30, 2013	2012	At or for the Nine Months Ended September 30, 2013	2012
Valuation allowance:				
Beginning balance	$ 2,429	$ 2,756	$ 4,240	$ 1,668
Provision	—	3,406	—	7,175
Reversal to income due to increase in fair value	(1,705)	—	(1,705)	—
Write-down due to permanent impairment	(492)	(839)	(2,303)	(3,520)
Ending balance	$ 232	$ 5,323	$ 232	$ 5,323

The following table presents servicing fees for the periods indicated:

($ in thousands)	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Contractually specified servicing fees	$ 3,932	$ 2,627	$ 10,476	$ 7,475
Late charges and ancillary fees, net of costs	$ 226	$ 332	$ 1,252	$ 656

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)	September 30, 2013	December 31, 2012
Fair value of MSRs	$ 41,950	$ 22,576
Weighted average prepayment speed (CPR)	12.7%	27.8%
Impact on fair value of 10% adverse change	$ (1,883)	$ (1,180)
Impact on fair value of 20% adverse change	$ (3,550)	$ (2,206)
Weighted average discount rate	11.5%	11.8%
Impact on fair value of 10% adverse change	$ (1,139)	$ (520)
Impact on fair value of 20% adverse change	$ (2,217)	$ (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 September 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:

	September 30, 2013		
($ in thousands)	VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 1,585	$ —	$ 1,585
Loans	—	82,802	82,802
Tax credit investments	626,582	—	626,582
MSRs	29,870	—	29,870
Total Assets	658,037	82,802	740,839
Liabilities:			
Unfunded commitments - tax credit investments	353,386	—	353,386
Debt	—	46,999	46,999
Total Liabilities	353,386	46,999	400,385
Net Assets	$ 304,651	$ 35,803	$ 340,454

	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 $35.8 million at September 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 $658.0 million at September 30, 2013 and $503.5 million at December 31, 2012.

Note 6. Goodwill and Other Intangible Assets

In December 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:

	September 30, 2013		December 31, 2012	
($ in thousands)	**Gross Carrying Value**	**Accumulated Amortization**	**Gross Carrying Value**	**Accumulated Amortization**
Amortized intangible assets:				
MSRs, before valuation allowance	$ 56,638	$ (26,536)	$ 41,459	$ (19,433)
Core deposit intangibles	87,550	(47,501)	87,550	(38,167)
Customer relationship intangibles	83,940	(27,926)	83,940	(17,331)
Total amortized intangibles	$ 228,128	$ (101,963)	$ 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 September 30, 2013	$ 24,604	$ 81,945	$ 106,549

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

($ in thousands)	**MSRs**	**Core deposit intangibles**	**Customer relationship intangibles**
October 1 - December 31, 2013	$ 1,792	$ 2,894	$ 3,323
2014	6,177	10,492	12,253
2015	4,818	8,755	10,588
2016	3,417	7,018	8,923
2017	2,460	5,282	7,258
2018	$ 2,017	$ 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 September 30,		Nine Months Ended September 30,	
($ in thousands)	September 30, 2013	December 31, 2012	2013	2012	2013	2012
Short-term borrowings:						
Federal funds purchased	$ —	$ —	$ —	$ —	$ 69	$ —
FHLB advances	—	75,000	—	—	698	—
Total	—	75,000	—	—	767	—
Long-term debt:						
FHLB advances	5,150,000	3,150,000	19,116	14,240	48,959	40,355
Subordinated notes	—	—	—	439	—	1,545
Total	5,150,000	3,150,000	19,116	14,679	48,959	41,900
Other long-term debt:						
Debt related to VIE	46,999	56,450	220	252	695	784
Total borrowings	$ 5,196,999	$ 3,281,450	$ 19,336	$ 14,931	$ 50,421	$ 42,684

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $242.1 million and $162.3 million at September 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, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The amounts presented in the table below include the foreign exchange contracts with both the customers and the financial institution counterparties.

The Bank also creates derivative instruments when it enters into interest rate lock commitments for single family mortgage loans that will be sold to investors. The Bank’s interest rate risk exposure to these commitments is not significant as these derivatives are economically hedged with forward commitments to sell the loans to investors.

The following table presents the total notional or contractual amounts and fair values of derivatives at the dates indicated:

($ in thousands)	September 30, 2013 Notional or Contractual Amount	September 30, 2013 Fair Value Derivative Assets (1)	September 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	$ 542,969	$ 12,009	$ 11,099	$ 519,669	$ 8,066	$ 7,406
Interest rate contracts with borrowers	$ 52,308	589	—	$ 145,376	44	140
Forward loan sale commitments	$ 112,202	—	589	$ 349,264	195	99
Total		$ 12,598	$ 11,688		$ 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 table presents additional information related to the Bank's foreign exchange derivative contracts at the dates indicated:

	Total	Contracts not Subject to Master Netting Arrangements	Contracts Subject to Master Netting Arrangements					
						Gross Amounts Not Offset on the Balance Sheet		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Derivative Amount	Cash Collateral (1)	Net Amount
September 30, 2013								
Derivative assets:								
Foreign exchange contracts	$ 12,009	$ 7,339	$ 4,670	$ —	$ 4,670	$ 4,670	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 11,099	$ 3,792	$ 7,307	$ —	$ 7,307	$ 4,670	$ 2,637	$ —
December 31, 2012								
Derivative assets:								
Foreign exchange contracts	$ 8,066	$ 4,818	$ 3,248	$ —	$ 3,248	$ 3,248	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 7,406	$ 2,325	$ 5,081	$ —	$ 5,081	$ 3,248	$ 1,833	$ —

(1) Cash collateral presented in the table above is limited to the amount required to settle the net derivative position and does not include any excess collateral.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$ (452)	$ (518)	$ (1,487)	$ (1,553)

During the next twelve months, the Bank estimates that $720,000 will be reclassified from accumulated other comprehensive income into interest expense for terminated hedges. The total amount to be reclassified from accumulated other comprehensive income into interest expense for terminated hedges is $799,000. 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 September 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.

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Other real estate owned is adjusted to fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequently, other real estate owned is carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral.

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

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

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

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

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

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

Recurring Fair Value Measurements

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

	Fair Value Measurements on a Recurring Basis September 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	$ —	$ —	$ 47,450	$ 47,450
Residential agency MBS	—	115,971	—	115,971
Residential non-agency MBS	—	15,082	—	15,082
Commercial MBS	—	533,804	—	533,804
Collateralized loan obligations	—	508,083	—	508,083
Marketable equity securities	1,412	—	—	1,412
Derivative assets	—	12,598	—	12,598
Total	$ 1,412	$ 1,185,538	$ 47,450	$ 1,234,400
Liabilities:				
Derivative liabilities	$ —	$ 11,688	$ —	$ 11,688

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

There were no transfers in or out of Levels 1 and 2 for the three and nine months ended September 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Taxable municipal securities available-for-sale:				
Balance at beginning of period	$ 47,455	$ 46,501	$ 47,459	$ —
Purchases	—	—	—	47,214
Unrealized losses included in other comprehensive income	(6)	(102)	(14)	(815)
Accretion included in interest income	1	2	5	2
Balance at end of period	$ 47,450	$ 46,401	$ 47,450	$ 46,401

There were no transfers in or out of Level 3 assets measured on a recurring basis during the three and nine months ended September 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 and other real estate owned result from the application of lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of real estate secured mortgages represent a write-down based on the fair value of the underlying collateral of the loan. For assets measured at fair value on a nonrecurring basis that were held on the balance sheet at September 30, 2013 and December 31, 2012, the following tables provide the fair value hierarchy levels and the carrying values of the related individual assets or portfolios:

($ in thousands)	Fair Value Measurements on a Nonrecurring Basis September 30, 2013 Level 1	Level 2	Level 3	Total
Assets:				
MSRs	$ —	$ —	$ 10,958	$ 10,958

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2013	2012	2013	2012
Assets:				
Real estate secured mortgages	$ —	$ (190)	$ —	$ (190)
MSRs	1,705	(3,406)	1,705	(7,175)
Other real estate owned	—	(33)	—	(33)
Total	$ 1,705	$ (3,629)	$ 1,705	$ (7,398)

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:

	September 30, 2013			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Taxable municipal securities available-for-sale	$ 47,450	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 10,958	Present value of estimated future servicing income	Estimated prepayment rate	16.0%
			Discount rate	11.0%

	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	31.6%
			Discount rate	10.9%

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

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

	September 30, 2013			
	Carrying Amount	Fair Value		
($ in thousands)		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 1,934,727	$ 1,934,727	$ —	$ —
Securities purchased under agreements to resell	19,373	19,373	—	—
Investment securities held-to-maturity:				
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	2,739,910	—	2,596,449	135,225
Tax-exempt nonprofit debentures	171,435	—	—	166,747
Taxable municipal securities	53,190	—	60,518	—
Residential non-agency MBS	1,585	—	1,658	—
Loans, net:				
Real estate secured mortgages	28,348,180	—	18,797,643	9,289,874
Other loans	3,920,167	—	—	3,664,458
Loans held for sale	60,054	—	60,230	—
Investments in life insurance	759,240	—	—	759,240
MSRs	29,870	—	—	41,950
FHLB stock	242,050	—	—	242,050
Liabilities:				
Deposits:				
Deposits with no maturity	27,257,644	—	27,257,644	—
Certificates of deposit	4,032,725	—	—	4,066,305
Long-term FHLB advances	5,150,000	—	5,194,164	—
Debt related to VIE	$ 46,999	$ —	$ 44,497	$ —

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

Note 10. Preferred Stock

At September 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. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the issued and outstanding shares for each series of the Bank's preferred stock at the dates indicated:

(in thousands, except share amounts)	September 30, 2013	December 31, 2012
6.70% Noncumulative Perpetual Series A Preferred Stock - 199,525 shares authorized, issued and outstanding at September 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 September 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 September 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 September 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 September 30,		Nine Months Ended September 30,	
($ in thousands)	2013	2012	2013	2012
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 3,342	$ 3,342	$ 10,026	$ 9,135
6.20% Noncumulative Perpetual Series B Preferred Stock	2,325	2,325	6,975	3,074
5.625% Noncumulative Perpetual Series C Preferred Stock	2,109	—	6,328	—
5.50% Noncumulative Perpetual Series D Preferred Stock	2,613	—	4,542	—
	$ 10,389	$ 5,667	$ 27,871	$ 12,209

Refer to Note 15, "Subsequent Events," for information regarding the public offering of the Bank's 7.00% Noncumulative Perpetual Series E Preferred Stock.

Note 11. Accumulated Other Comprehensive Income

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

	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 September 30, 2013			Nine Months Ended September 30, 2013			
Beginning balance	**$ 18,975**	**$ (719)**	**$ 18,256**	**$ 32,690**	**$ (1,314)**	**$ 31,376**	
Net unrealized loss on securities available-for-sale	(2,351)	—	(2,351)	(24,867)	—	(24,867)	
Related tax effect	998	—	998	10,570	—	10,570	
Reclassification of loss (gain) on securities available-for-sale to net income	369	—	369	(972)	—	(972)	Other income
Related tax effect	(157)	—	(157)	413	—	413	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	452	452	—	1,487	1,487	Interest on deposits
Related tax effect	—	(192)	(192)	—	(632)	(632)	Provision for income taxes
Other comprehensive income (loss)	(1,141)	260	(881)	(14,856)	855	(14,001)	
Ending balance	**$ 17,834**	**$ (459)**	**$ 17,375**	**$ 17,834**	**$ (459)**	**$ 17,375**	
	Three Months Ended September 30, 2012			Nine Months Ended September 30, 2012			
Beginning balance	**$ 17,262**	**$ (1,909)**	**$ 15,353**	**$ 3,690**	**$ (2,504)**	**$ 1,186**	
Net unrealized gain on securities available-for-sale	19,271	—	19,271	44,095	—	44,095	
Related tax effect	(8,190)	—	(8,190)	(18,740)	—	(18,740)	
Reclassification of gain on securities available-for-sale to net income	—	—	—	(1,220)	—	(1,220)	Other income
Related tax effect	—	—	—	518	—	518	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	518	518	—	1,553	1,553	Interest on deposits
Related tax effect	—	(220)	(220)	—	(660)	(660)	Provision for income taxes
Other comprehensive income	11,081	298	11,379	24,653	893	25,546	
Ending balance	**$ 28,343**	**$ (1,611)**	**$ 26,732**	**$ 28,343**	**$ (1,611)**	**$ 26,732**	

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Basic EPS:				
Net income	$ 111,983	$ 102,696	$ 348,010	$ 292,361
Less: Dividends on preferred stock	10,389	5,667	27,871	12,209
Redemption of FRPCC preferred stock	—	—	—	13,200
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Weighted average common shares outstanding	131,436	130,194	131,130	129,862
Net income per common share-basic	$ 0.77	$ 0.75	$ 2.44	$ 2.06
Diluted EPS:				
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Weighted average shares:				
Common shares outstanding	131,436	130,194	131,130	129,862
Dilutive effect of stock options	4,419	4,104	4,353	4,111
Dilutive effect of restricted stock awards, restricted stock units and performance share units	278	76	209	31
Weighted average diluted common shares outstanding	136,133	134,374	135,692	134,004
Net income per common share-diluted	$ 0.75	$ 0.72	$ 2.36	$ 1.99

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in actuals)	**2013**	**2012**	**2013**	**2012**
Stock options	—	219,000	—	219,000
Restricted stock awards	—	—	—	—
Restricted stock units and performance share units	—	—	381	—

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 September 30, 2013			
($ in thousands)	**Commercial Banking**	**Wealth Management**	**Reconciling Items**	**Total**
Net interest income	$ 298,105	$ 10,105	$ —	$ 308,210
Provision for loan losses	10,023	—	—	10,023
Noninterest income	16,604	39,097	(2,069)	53,632
Amortization of intangibles	3,002	3,428	—	6,430
Other noninterest expense	166,663	32,623	(2,069)	197,217
Income before provision for income taxes	135,021	13,151	—	148,172
Provision for income taxes	30,566	5,623	—	36,189
Segment net income	$ 104,455	$ 7,528	$ —	$ 111,983
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 40,752,714	$ 287,574	$ (89,468)	$ 40,950,820

	At or for the Three Months Ended September 30, 2012			
($ in thousands)	**Commercial Banking**	**Wealth Management**	**Reconciling Items**	**Total**
Net interest income	$ 287,812	$ 11,009	$ —	$ 298,821
Provision for loan losses	16,505	—	—	16,505
Noninterest income	19,815	25,545	(1,521)	43,839
Amortization of intangibles	3,437	1,650	—	5,087
Other noninterest expense	148,180	26,644	(1,521)	173,303
Income before provision for income taxes	139,505	8,260	—	147,765
Provision for income taxes	41,435	3,634	—	45,069
Segment net income	$ 98,070	$ 4,626	$ —	$ 102,696
Goodwill	$ 24,604	$ —	$ —	$ 24,604
Total Assets	$ 32,498,883	$ 134,653	$ (57,366)	$ 32,576,170

($ in thousands)	At or for the Nine Months Ended September 30, 2013			
	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 877,468	$ 31,883	$ —	$ 909,351
Provision for loan losses	29,154	—	—	29,154
Noninterest income	79,970	114,063	(5,883)	188,150
Amortization of intangibles	9,334	10,595	—	19,929
Other noninterest expense	492,843	94,331	(5,883)	581,291
Income before provision for income taxes	426,107	41,020	—	467,127
Provision for income taxes	101,574	17,543	—	119,117
Segment net income	$ 324,533	$ 23,477	$ —	$ 348,010
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 40,752,714	$ 287,574	$ (89,468)	$ 40,950,820

($ in thousands)	At or for the Nine Months Ended September 30, 2012			
	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 835,005	$ 35,681	$ —	$ 870,686
Provision for loan losses	46,232	—	—	46,232
Noninterest income	45,781	71,666	(4,324)	113,123
Amortization of intangibles	10,636	4,909	—	15,545
Other noninterest expense	430,190	73,289	(4,324)	499,155
Income before provision for income taxes	393,728	29,149	—	422,877
Provision for income taxes	116,541	12,437	—	128,978
Net income before noncontrolling interests	277,187	16,712	—	293,899
Less: Net income from noncontrolling interests	1,538	—	—	1,538
Segment net income	$ 275,649	$ 16,712	$ —	$ 292,361
Goodwill	$ 24,604	$ —	$ —	$ 24,604
Total Assets	$ 32,498,883	$ 134,653	$ (57,366)	$ 32,576,170

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 September 30, 2013, approximately 1% of our deposit relationships hold approximately 42% 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 September 30, 2013.

On October 28, 2013, the Bank completed a public offering of 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock"), at a public offering price of $25.00 per depositary share. The Bank issued 200,000 shares of the Series E Preferred Stock in connection with the offering. Total net proceeds, after underwriting discounts and expenses, were approximately $194.1 million. The Series E Preferred Stock qualifies as Tier 1 capital under regulatory guidelines.

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 actions 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:

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Selected Financial Data:				
Interest income	$ 346,050	$ 327,336	$ 1,002,540	$ 958,619
Interest expense	37,840	28,515	93,189	87,933
Net interest income	308,210	298,821	909,351	870,686
Provision for loan losses	10,023	16,505	29,154	46,232
Net interest income after provision for loan losses	298,187	282,316	880,197	824,454
Noninterest income	53,632	43,839	188,150	113,123
Noninterest expense	203,647	178,390	601,220	514,700
Net income	111,983	102,696	348,010	292,361
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Selected Ratios:				
Basic earnings per common share ("EPS")	$ 0.77	$ 0.75	$ 2.44	$ 2.06
Diluted EPS	$ 0.75	$ 0.72	$ 2.36	$ 1.99
Diluted EPS (non-GAAP) (1)	$ 0.64	$ 0.54	$ 2.00	$ 1.53
Net income to average assets (2)	1.12%	1.27%	1.26%	1.28%
Net income available to common shareholders to average common equity (2)	12.72%	13.89%	13.91%	13.28%
Average total equity to average total assets	9.72%	9.71%	10.00%	9.77%
Dividends per common share	$ 0.12	$ 0.10	$ 0.24	$ 0.10
Dividend payout ratio	16.1%	13.8%	10.2%	5.0%
Book value per common share	$ 24.13	$ 21.48	$ 24.13	$ 21.48
Tangible book value per common share	$ 22.27	$ 20.37	$ 22.27	$ 20.37
Net interest margin (2)	3.50%	4.13%	3.71%	4.26%
Net interest margin (non-GAAP) (1), (2)	3.15%	3.47%	3.30%	3.53%
Efficiency ratio (3)	56.3%	52.1%	54.8%	52.3%
Efficiency ratio (non-GAAP) (1), (3)	60.1%	58.6%	58.8%	59.5%
Tier 1 leverage ratio	9.18%	9.33%	9.18%	9.33%
Tier 1 common equity ratio (4)	10.57%	11.98%	10.57%	11.98%
Tier 1 risk-based capital ratio	13.06%	13.57%	13.06%	13.57%
Total risk-based capital ratio	13.62%	14.12%	13.62%	14.12%
Nonperforming assets to total assets	0.13%	0.13%	0.13%	0.13%

(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)	September 30, 2013	December 31, 2012	September 30, 2012
Assets:			
Acquired loans (unpaid principal balance)	$ 6,808,331	$ 8,928,201	$ 9,677,754
Purchase accounting discount	(242,009)	(331,709)	(368,175)
Total	$ 6,566,322	$ 8,596,492	$ 9,309,579
Liabilities:			
Acquired CDs	$ 464,102	$ 694,495	$ 871,705
Purchase accounting premium	10,160	19,255	23,597
Total	$ 474,262	$ 713,750	$ 895,302

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 September 30,		Nine Months Ended September 30,	
($ in thousands)	2013	2012	2013	2012
Accretion/amortization to net interest income:				
Loans	$ 28,008	$ 41,351	$ 89,326	$ 125,272
Deposits	2,619	4,724	9,095	17,897
Borrowings	—	576	—	1,942
Total	$ 30,627	$ 46,651	$ 98,421	$ 145,111
Noninterest income:				
Loan commitments	$ —	$ 171	$ —	$ 255
Amortization to noninterest expense:				
Intangible assets	$ 4,447	$ 5,087	$ 13,824	$ 15,545

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 arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from CET1 capital (currently set at 100%), and
- the option to use a formula-based approach referred to as the simplified supervisory formula approach to determine the risk weight of various securitization tranches in addition to the current “gross-up” method.

Based on our 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 September 30, 2013. Management estimates that our ratio of CET1 to risk-weighted assets (under the fully phased-in New Capital Rules) would be approximately 10.3% at September 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.

Newly Proposed Liquidity Requirements - Liquidity Coverage Ratio (“LCR”)

On October 30, 2013, the federal banking agencies published a notice of proposed rulemaking (the “LCR Proposal”) that would create standardized minimum liquidity requirements for internationally active banking organizations (those with over $250 billion in total assets or over $10 billion in on-balance sheet foreign exposure), as well as modified liquidity requirements for bank holding companies and depository institutions that have more than $50 billion in total assets but are not internationally active banking organizations. The LCR Proposal is generally consistent with the proposed Basel III framework; however, it is more stringent in certain areas and requires an earlier transition period.

The LCR Proposal would require certain banking entities to maintain an adequate level of unencumbered high quality liquid assets (“HQLA”) equal to or greater than its expected net cash outflow during a short-term stress period. For certain banks with more than $50 billion in total assets that are not internationally active banking organizations, the LCR would be calculated using a 21-calendar day stress scenario and would equal HQLA divided by total net cash outflows during this period. The LCR Proposal has a phase-in period that would require a minimum LCR ratio of: 80% beginning January 1, 2015, 90% beginning January 1, 2016 and 100% beginning January 1, 2017. The LCR Proposal is subject to further regulatory action and interpretation as well as a comment period ending January 31, 2014. As of September 30, 2013, First Republic had $41.0 billion of total assets, therefore, is not within the scope of the LCR Proposal as currently drafted.

The New Capital Rules and the LCR Proposal do not address the proposed 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 this topic.

Financial Highlights

Our total assets were $41.0 billion at September 30, 2013 and $34.4 billion at December 31, 2012, a 19% increase.

At September 30, 2013, loans outstanding, including loans held for sale, were $32.7 billion, a 15% increase compared to $28.5 billion at December 31, 2012, and a 22% increase from September 30, 2012. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $20.9 billion and represented 64% of total loans at September 30, 2013.

Loan origination volume increased to $4.9 billion for the third quarter of 2013, compared to $4.0 billion for the third quarter of 2012, an increase of 22%. Loan originations increased due to continued low interest rates, an increased level of home purchases and refinances and the addition of new lending personnel.

Total deposits were $31.3 billion at September 30, 2013, an increase of 16% compared to December 31, 2012 and a 22% increase from September 30, 2012. Deposits increased as the Bank continued to put a sharper emphasis on deposit growth. Balances in business and personal checking accounts were $15.0 billion, or 48% 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 87% of total deposits at September 30, 2013, compared to 89% at December 31, 2012 and 88% at September 30, 2012. At September 30, 2013, business deposits were $14.9 billion and represented 48% 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 September 30, 2013 were 9.18% and 13.62%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions.

Book value per common share was $24.13 at September 30, 2013, a 9% increase from December 31, 2012 and a 12% increase during the last twelve months. Tangible book value per common share was $22.27 at September 30, 2013, a 9% increase during the last twelve months.

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

Wealth management assets under management or administration increased $6.9 billion, or 22%, to $38.2 billion at September 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.

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

Overview

Net income was $112.0 million and $102.7 million for the third quarter of 2013 and 2012, respectively, an increase of $9.3 million, or 9%. Diluted EPS were $0.75, compared to $0.72 for the third quarter of 2012.

Excluding the impact of purchase accounting, net income was $96.9 million and $78.7 million for the third quarter of 2013 and 2012, respectively, an increase of $18.2 million, or 23%. On this non-GAAP basis, diluted EPS were $0.64, compared to $0.54 for the third quarter of 2012, an increase of 19%. 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 $104.5 million and $98.1 million for the third quarter of 2013 and 2012, respectively, an increase of $6.4 million, or 7%. Net income for the Wealth Management segment was $7.5 million, compared to $4.6 million for the third quarter of 2012, an increase of $2.9 million, or 63%.

Net Interest Income

Net interest income was $308.2 million for the third quarter of 2013, an increase of $9.4 million, or 3%, compared to $298.8 million for the third 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 $30.6 million for the third quarter of 2013, compared to $46.7 million for the third quarter of 2012; the contribution of these items to net interest income has been declining since divestiture and, generally, is expected to continue to decline.

Average interest-earning assets for the third quarter of 2013 increased 23% compared to the third quarter of 2012 and the average yield decreased 60 basis points. Average interest-bearing liabilities increased 23% and the average rate increased 3 basis points compared to the third quarter of 2012. The impact of these changes to the net interest margin was a decrease of 63 basis points, to 3.50%, compared to 4.13% for the third quarter of 2012.

The net interest margin excluding purchase accounting (core net interest margin) was 3.15% and 3.47% for the third quarter of 2013 and 2012, respectively. The decrease in the core net interest margin was primarily due to declines in contractual loan yields, which was partially offset by lower deposit and borrowing costs. 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 third 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.

	Three Months Ended September 30,					
	2013			2012		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:						
Cash and cash equivalents	$ 1,691,248	$ 1,091	0.26%	$ 1,049,210	$ 653	0.25%
Investment securities:						
Municipal securities [1]	2,914,016	30,063	6.39%	2,415,881	25,270	6.52%
Commercial mortgage-backed securities (“MBS”)	533,702	5,261	3.94%	575,932	5,616	3.90%
Collateralized loan obligations	510,670	2,238	1.75%	—	—	—%
Other investment securities [2]	391,745	3,650	3.73%	323,680	752	0.93%
Total investment securities [1]	4,350,133	41,212	5.30%	3,315,493	31,638	5.52%
Loans: [3]						
Residential real estate	20,211,955	175,113	3.46%	17,578,213	177,992	4.05%
Multifamily	3,691,826	42,226	4.48%	2,629,233	33,473	4.98%
Commercial real estate	3,157,572	44,184	5.48%	2,668,743	49,241	7.22%
Construction	489,002	5,657	4.53%	356,100	4,364	4.80%
Business loans [1]	3,035,481	30,003	4.57%	2,092,845	23,801	4.98%
Other loans	785,279	6,564	3.27%	655,542	6,174	3.69%
Total loans [1]	31,371,115	303,747	3.90%	25,980,676	295,045	4.54%
Total interest-earning assets	37,412,496	346,050	3.90%	30,345,379	327,336	4.50%
Noninterest-earning assets:						
Noninterest-earning cash	247,206			183,718		
Goodwill and other intangibles	248,641			148,449		
Other assets	1,775,610			1,545,443		
Total noninterest-earning assets	2,271,457			1,877,610		
Total Assets	$ 39,683,953			$ 32,222,989		
Liabilities and Equity:						
Deposits:						
Checking	$ 14,629,935	693	0.02%	$ 12,140,060	360	0.01%
Money market checking and savings	11,884,853	7,651	0.26%	9,928,506	4,236	0.17%
CDs [3]	3,861,458	10,160	1.04%	3,281,567	8,988	1.09%
Total deposits	30,376,246	18,504	0.24%	25,350,133	13,584	0.21%
Borrowings:						
Short-term borrowings	2,391	—	0.00%	—	—	—%
Long-term Federal Home Loan Bank (“FHLB”) advances	4,822,826	19,116	1.57%	3,150,000	14,240	1.80%
Other long-term debt [3]	49,233	220	1.79%	111,010	691	2.49%
Total borrowings	4,874,450	19,336	1.57%	3,261,010	14,931	1.82%
Total interest-bearing liabilities	35,250,696	37,840	0.43%	28,611,143	28,515	0.40%
Noninterest-bearing liabilities	575,420			483,522		
Preferred equity	689,525			349,525		
Common equity	3,168,312			2,778,799		
Total Liabilities and Equity	$ 39,683,953			$ 32,222,989		

(continued on following page)

(continued from previous page)	Three Months Ended September 30,					
	2013			2012		
($ in thousands)	**Average Balance**	**Interest**	**Yields/ Rates**	**Average Balance**	**Interest**	**Yields/ Rates**
Net interest spread [(4)]			3.47%			4.10%
Net interest income and net interest margin [(5)]		$ 308,210	3.50%		$ 298,821	4.13%
Net interest income (tax-equivalent basis)		$ 330,165			$ 315,828	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [(6)]		$ 299,538	3.15%		$ 269,177	3.47%

(1) In order to calculate the yield on tax-advantaged investment securities on a tax-equivalent basis, reported interest income was increased by $16.5 million in the third quarter of 2013 and $14.2 million in the third quarter of 2012. In order to calculate the yield on tax-advantaged loans on a tax-equivalent basis, reported interest income was increased by $5.5 million in the third quarter of 2013 and $2.9 million in the third 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 $8.7 million, or 3%, to $303.7 million for the third quarter of 2013, from $295.0 million for the third quarter of 2012. Included in interest income on loans is loan discount accretion of $28.0 million for the third quarter of 2013, compared to $41.4 million for the third quarter of 2012. The decrease in discount accretion was primarily the result of a lower level of loan prepayments for loans acquired on July 1, 2010 and a declining balance of loan discounts.

Average loan balances were $31.4 billion for the third quarter of 2013, compared to $26.0 billion for the third quarter of 2012, an increase of 21%. The average yield on loans, including the accretion of loan discounts, was 3.90%, a decrease of 64 basis points from 4.54% for the third quarter of 2012. The average contractual yield earned on loans was 3.52%, a decrease of 34 basis points from 3.86% for the third 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 $6.3 million and $4.1 million in the third 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 interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans with higher fixed rates, the level of loans held for sale, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.36% at September 30, 2013, compared to 3.58% at December 31, 2012 and 3.69% at September 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 September 30, 2013, approximately 37% of our total loans were adjustable-rate or mature within one year, compared to 42% at September 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 third quarter of 2013 and 2012, the average balance of single family loans in our loan portfolio (excluding HELOCs) was 49% and 52%, 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 $9.6 million, or 30%, to $41.2 million for the third quarter of 2013, compared to $31.6 million for the third quarter of 2012. The increase is due to the purchases of new investments, as the average balance increased 31% to $4.4 billion, compared to $3.3 billion for the third quarter of 2012. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.30%, compared to 5.52% for the third quarter of 2012. The decrease in yield was primarily the result of an increase in the average balances of commercial MBS and collateralized loan obligations, which earned lower yields than municipal securities. The decrease in yield was also due to a decrease in yield on 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 third quarter of 2013 increased 33% to $37.8 million, from $28.5 million for the third quarter of 2012. The increase was the result of an increase in average interest-bearing liabilities of $6.6 billion, or 23%, to $35.3 billion, from $28.6 billion for the third quarter of 2012, and an increase in the average cost of interest-bearing liabilities to 0.43%, from 0.40% for the third 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 $2.6 million for the third quarter of 2013 and $5.3 million for the third quarter of 2012. The average contractual cost of total interest-bearing liabilities was 0.46%, a slight decrease compared to 0.47% for the third quarter of 2012.

Interest expense on deposits was $18.5 million for the third quarter of 2013, an increase of $4.9 million, or 36%, from $13.6 million for the third quarter of 2012. Interest expense on deposits for the third quarter of 2013 and 2012 was reduced by $2.6 million and $4.7 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $30.4 billion for the third quarter of 2013, an increase of 20% from $25.4 billion for the third quarter of 2012. Average checking account balances comprised 48% of average total deposits, average money market checking and savings accounts were 39% of average total deposits and average CD balances were 13% of average total deposits for the third quarter of 2013 and 2012. The average cost of deposits, including purchase accounting amortization, increased 3 basis points to 0.24%, from 0.21% for the third quarter of 2012. The average contractual cost of deposits decreased slightly to 0.28%, from 0.29% for the third quarter of 2012. The average contractual cost of deposits is a non-GAAP financial measure. For a reconciliation of the average contractual cost of deposits to its equivalent GAAP ratio, see “—Use of Non-GAAP Financial Measures.”

At September 30, 2013, the weighted average contractual rate paid on total deposits was 0.27%, up slightly compared to 0.26% at September 30, 2012. The Eleventh District Cost of Funds Index (“COFI”) decreased 8 basis points over the same period. At September 30, 2013, our total deposits were $31.3 billion, compared to $27.1 billion at December 31, 2012, an increase of 16%. 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 $19.3 million for the third quarter of 2013, compared to $14.9 million for the third quarter of 2012, an increase of $4.4 million, or 30%.

At September 30, 2013, long-term FHLB advances outstanding were $5.2 billion, compared to $3.2 billion at December 31, 2012. Interest expense on long-term FHLB advances increased $4.9 million, or 34%, to $19.1 million for the third quarter of 2013, from $14.2 million for the third quarter of 2012. The increase was primarily due to an increase in average long-term FHLB advances of $1.7 billion to $4.8 billion, compared to $3.2 billion for the third quarter of 2012. The average cost of long-term FHLB advances decreased 23 basis points to 1.57%, compared to 1.80% for the third quarter of 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 14% for the third quarter of 2013, compared to 11% for the third quarter of 2012.

Noninterest Income

The following table presents noninterest income for the periods indicated:

($ in thousands)	Three Months Ended September 30, 2013	2012
Noninterest income:		
Investment advisory fees	$ 28,766	$ 15,376
Brokerage and investment fees	2,518	2,346
Trust fees	2,552	2,376
Foreign exchange fee income	2,938	3,297
Deposit fees	4,458	3,522
Gain on sale of loans	1,215	12,547
Loan servicing fees, net	3,443	(2,916)
Loan and related fees	1,753	1,514
Income from investments in life insurance	5,813	4,985
Other income	176	792
Total noninterest income	$ 53,632	$ 43,839

Noninterest income for the third quarter of 2013 was $53.6 million, an increase of $9.8 million, compared to $43.8 million for the third quarter of 2012. The increase in noninterest income was primarily due to increases in investment advisory fees, net loan servicing fees, deposit fees and income from investments in life insurance, offset by a decrease in gain on sale of loans.

Investment advisory fees. Investment advisory fees were $28.8 million for the third quarter of 2013, an 87% increase from $15.4 million for the third quarter of 2012. Beginning in the first quarter of 2013, the Bank began earning 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 and market appreciation. 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 $2.5 million for the third quarter of 2013, a 7% increase from $2.3 million for the third 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 third quarter of 2013 were $2.6 million, a 7% increase from $2.4 million for the third 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 $2.9 million on foreign exchange business for the third quarter of 2013, an 11% decrease from $3.3 million for the third quarter of 2012. The decrease in foreign exchange fees was primarily driven by lower client trading volumes.

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 $4.5 million for the third quarter of 2013, an increase of 27% from $3.5 million for the third quarter of 2012 as a result of deposit growth and a change to fee structure beginning on January 1, 2013. These fees vary with the level and type of account activity and have generally increased due to overall deposit growth and growth in business banking deposits.

Gain on sale of loans. The gain on the sale of $284.2 million of loans was $1.2 million, or approximately 43 basis points on the loans sold in the third quarter of 2013, compared to gains of $12.5 million on loan sales of $774.2 million, or 162 basis points on the loans sold in the third quarter of 2012. The lower level of gain on sales was the result of a much lower volume of loans sold and lower pricing, due to less favorable market conditions.

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.

As discussed in our 2012 Form 10-K and under "Item 1A. Risk Factors," our ability to sell loans may be adversely impacted by the qualified mortgage rule issued by the Consumer Financial Protection Bureau ("CFPB") that takes effect in January 2014. Currently, a majority of the non-conforming mortgage loans that we originate have an initial interest-only period of generally ten years. Such loans are not "qualified mortgages" under the CFPB definition of that term. Recently, a large institutional mortgage investor has determined that, for an indefinite period of time, it will only purchase qualified mortgages. If additional institutional mortgage investors similarly limit their mortgage purchases, demand for our non-qualifying mortgages in the secondary market may be significantly limited in the future.

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 September 30,	
($ in thousands)	**2013**	**2012**
Contractually specified servicing fees	$ 3,932	$ 2,627
Amortization expense	(2,194)	(2,137)
Net reversal of (provisions for) impairment	1,705	(3,406)
Loan servicing fees, net	$ 3,443	$ (2,916)

Contractual servicing fees were $3.9 million for the third quarter of 2013, compared to $2.6 million for the third 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 0.26% for the third quarter of 2013, compared to 0.27% for the third quarter of 2012.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the third quarter of 2013, the overall annualized repayment speeds experienced on loans serviced were 16%, compared to 28% for the third quarter of 2012. A reversal of impairment provision of $1.7 million was recorded for the third quarter of 2013 as a result of lower actual and projected repayments in the servicing portfolio.

A provision for impairment of $3.4 million was recorded for the third quarter of 2012 due to higher actual and projected repayments. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release 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 $1.8 million for the third quarter of 2013, compared to $1.5 million for the third 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 $465,000 and $555,000 for the third 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 $5.8 million for the third quarter of 2013, compared to $5.0 million for the third 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 $759.2 million at September 30, 2013, compared to $695.2 million at September 30, 2012.

Noninterest Expense

The following table presents noninterest expense for the periods indicated:

($ in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012
Noninterest expense:		
Salaries and employee benefits	$ 98,880	$ 87,204
Occupancy	22,822	21,229
Information systems	20,496	18,843
Tax credit investments	11,972	5,348
Amortization of intangibles	6,430	5,087
FDIC and other deposit assessments	6,849	6,400
Advertising and marketing	5,820	5,953
Professional fees	6,355	5,263
Other expenses	24,023	23,063
Total noninterest expense	$ 203,647	$ 178,390

Noninterest expense was $203.6 million for the third quarter of 2013, compared to $178.4 million for the third quarter of 2012, an increase of $25.3 million, or 14%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, costs associated with tax credit investments, information systems costs, occupancy, intangible amortization and professional fees.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 56.3% for the third quarter of 2013, compared to 52.1% for the third quarter of 2012. The efficiency ratio was significantly affected by purchase accounting. Excluding the impact of purchase accounting, the efficiency ratio was 60.1%, compared to 58.6% for the third quarter of 2012. The adjusted efficiency ratio is a non-GAAP financial measure. For a reconciliation of the adjusted efficiency ratio to its equivalent GAAP ratio, 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 $98.9 million for the third quarter of 2013, a 13% increase from $87.2 million for the third 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 September 30, 2013, we had 2,321 full-time equivalent employees, including temporary employees and independent contractors, a 12% increase from 2,064 at September 30, 2012.

Occupancy. Occupancy costs were $22.8 million for the third quarter of 2013, an 8% increase from $21.2 million for the third 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 $20.5 million for the third quarter of 2013, a 9% increase from $18.8 million for the third 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 third quarter of 2013 were $12.0 million, an increase of $6.6 million, compared to $5.3 million for the third 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 third quarter of 2013, the tax credits allocated to us from these investments reduced tax expense by approximately $11.7 million, compared to $5.9 million for the third quarter of 2012. Our portfolio of tax credit investments was $626.6 million at September 30, 2013, compared to $475.4 million at September 30, 2012.

Amortization of intangibles. Amortization expense for the third quarter of 2013 and 2012 was $6.4 million and $5.1 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 third quarter of 2013.

FDIC and other deposit assessments. FDIC and other deposit assessments were $6.8 million for the third quarter of 2013, an increase of 7% from $6.4 million for the third quarter of 2012. The increase was primarily due to an increase in our assessment base as a result of the growth in assets over the past year, partially offset by a decrease in our assessment rate.

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 $5.8 million for the third quarter of 2013 and $6.0 million for the third 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 $6.4 million for the third quarter of 2013, compared to $5.3 million for the third quarter of 2012.

Other expenses. Other expenses were $24.0 million for the third quarter of 2013, compared to $23.1 million for the third 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 September 30,	
($ in thousands)	**2013**	**2012**
Other expenses:		
Deposit client related costs	$ 5,394	$ 4,516
Travel and entertainment	2,896	2,589
Loan related costs	2,179	2,691
Insurance expense	1,691	1,428
Subscriptions	1,429	1,454
Recruiting fees	1,197	1,484
Provision on loan commitments	500	1,100
Other operating expenses	8,737	7,801
Total other expenses	$ 24,023	$ 23,063

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 third quarter of 2013 was 24.4%, compared to 30.5% for the third 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 –
Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Overview

Net income was $348.0 million and $292.4 million for the nine months ended September 30, 2013 and 2012, respectively, an increase of $55.6 million, or 19%. Diluted EPS were $2.36, compared to $1.99 for the nine months ended September 30, 2012. During the nine months ended September 30, 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 $299.4 million and $217.7 million for the nine months ended September 30, 2013 and 2012, respectively, an increase of $81.7 million, or 38%. On this non-GAAP basis, and also excluding the one-time FRPCC preferred stock redemption charge in 2012, diluted EPS were $2.00, compared to $1.53 for the nine months ended September 30, 2012, an increase of 31%. 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 $324.5 million and $275.6 million for the nine months ended September 30, 2013 and 2012, respectively, an increase of $48.9 million, or 18%. Net income for the Wealth Management segment was $23.5 million, compared to $16.7 million for the nine months ended September 30, 2012, an increase of $6.8 million, or 40%.

Net Interest Income

Net interest income was $909.4 million for the nine months ended September 30, 2013, an increase of $38.7 million, or 4%, compared to $870.7 million for the nine months ended September 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 $98.4 million for the nine months ended September 30, 2013, compared to $145.1 million for the nine months ended September 30, 2012; the contribution of these items to net interest income has been declining since divestiture and, generally, is expected to continue to decline.

Average interest-earning assets for the nine months ended September 30, 2013 increased 21% compared to the nine months ended September 30, 2012 and the average yield decreased 60 basis points. Average interest-bearing liabilities increased 21% and the average rate decreased 5 basis points compared to the nine months ended September 30, 2012. The impact of these changes to the net interest margin was a decrease of 55 basis points, to 3.71%, compared to 4.26% for the nine months ended September 30, 2012.

The core net interest margin was 3.30% and 3.53% for the nine months ended September 30, 2013 and 2012, respectively. The decrease in the core net interest margin was primarily due to declines in contractual loan yields, which was partially offset by lower deposit and borrowing costs. 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 nine months ended September 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.

	Nine Months Ended September 30,					
	2013			2012		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:						
Cash and cash equivalents	$ 730,832	$ 1,364	0.25%	$ 1,070,772	$ 2,098	0.26%
Investment securities:						
Municipal securities [1]	2,754,209	86,001	6.44%	2,282,461	72,600	6.61%
Commercial MBS	561,867	16,129	3.83%	540,881	16,112	3.97%
Collateralized loan obligations	508,108	5,668	1.49%	—	—	—%
Other investment securities [2]	372,650	7,323	2.62%	329,145	2,050	0.83%
Total investment securities [1]	4,196,834	115,121	5.15%	3,152,487	90,762	5.56%
Loans: [3]						
Residential real estate	19,462,796	521,086	3.57%	16,545,870	526,994	4.25%
Multifamily	3,371,534	112,144	4.39%	2,536,616	101,603	5.26%
Commercial real estate	2,969,745	132,609	5.89%	2,539,355	139,361	7.21%
Construction	445,390	16,419	4.86%	327,869	13,485	5.40%
Business loans [1]	2,755,093	83,805	4.67%	1,862,650	65,354	5.13%
Other loans	790,315	19,992	3.34%	579,956	18,962	4.30%
Total loans [1]	29,794,873	886,055	4.01%	24,392,316	865,759	4.75%
Total interest-earning assets	34,722,539	1,002,540	4.07%	28,615,575	958,619	4.67%
Noninterest-earning assets:						
Noninterest-earning cash	243,339			196,977		
Goodwill and other intangibles	255,193			152,256		
Other assets	1,670,831			1,467,134		
Total noninterest-earning assets	2,169,363			1,816,367		
Total Assets	$ 36,891,902			$ 30,431,942		
Liabilities and Equity:						
Deposits:						
Checking	$ 13,884,294	1,280	0.01%	$ 10,898,585	1,297	0.02%
Money market checking and savings	10,981,055	15,592	0.19%	9,555,916	15,806	0.22%
CDs [3]	3,262,834	25,896	1.06%	3,501,930	28,146	1.07%
Total deposits	28,128,183	42,768	0.20%	23,956,431	45,249	0.25%
Borrowings:						
Short-term borrowings	537,703	767	0.19%	730	—	0.00%
Long-term FHLB advances	3,951,465	48,959	1.66%	2,939,963	40,355	1.83%
Other long-term debt [3]	52,338	695	1.77%	121,073	2,329	2.56%
Total borrowings	4,541,506	50,421	1.48%	3,061,766	42,684	1.86%
Total interest-bearing liabilities	32,669,689	93,189	0.38%	27,018,197	87,933	0.43%
Noninterest-bearing liabilities	533,280			441,444		
Preferred equity	611,192			249,565		
Common equity	3,077,741			2,685,169		
Noncontrolling interests	—			37,567		
Total Liabilities and Equity	$ 36,891,902			$ 30,431,942		

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($ in thousands)	Nine Months Ended September 30, 2013 Average Balance	Interest	Yields/ Rates	2012 Average Balance	Interest	Yields/ Rates
Net interest spread [4]			3.69%			4.24%
Net interest income and net interest margin [5]		$ 909,351	3.71%		$ 870,686	4.26%
Net interest income (tax-equivalent basis)		$ 970,262			$ 918,679	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [6]		$ 871,841	3.30%		$ 773,568	3.53%

(1) In order to calculate the yield on tax-advantaged investment securities on a tax-equivalent basis, reported interest income was increased by $47.1 million in the nine months ended September 30, 2013 and $40.6 million in the nine months ended September 30, 2012. In order to calculate the yield on tax-advantaged loans on a tax-equivalent basis, reported interest income was increased by $13.8 million in the nine months ended September 30, 2013 and $7.4 million in the nine months ended September 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 $20.3 million, or 2%, to $886.1 million for the nine months ended September 30, 2013, from $865.8 million for the nine months ended September 30, 2012. The accretion of loan discounts was $89.3 million for the nine months ended September 30, 2013, compared to $125.3 million for the nine months ended September 30, 2012. The decrease in discount accretion was primarily the result of a lower level of loan prepayments for loans acquired on July 1, 2010 and a declining balance of loan discounts. Interest income on loans included prepayment penalty fees of $16.3 million and $12.7 million for the nine months ended September 30, 2013 and 2012, respectively.

Average loan balances were $29.8 billion for the nine months ended September 30, 2013, compared to $24.4 billion for the nine months ended September 30, 2012, an increase of 22%. The average yield on loans, including the accretion of loan discounts, was 4.01%, a decrease of 74 basis points, compared to 4.75% for the nine months ended September 30, 2012. The average contractual yield earned on loans was 3.58%, a decrease of 41 basis points from 3.99% for the nine months ended September 30, 2012 due to continued low interest rates. 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 $24.4 million, or 27%, to $115.1 million for the nine months ended September 30, 2013, compared to $90.8 million for the nine months ended September 30, 2012. The increase is due to the purchase of new investments, as the average balance increased 33% to $4.2 billion, compared to $3.2 billion for the nine months ended September 30, 2012. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.15%, compared to 5.56% for the nine months ended September 30, 2012. The decrease in yield was primarily the result of an increase in the average balances of commercial MBS and collateralized loan obligations, which earned lower yields than municipal securities. The decrease in yield was also due to a decrease in yield on municipal securities.

Interest Expense

Total interest expense was $93.2 million for the nine months ended September 30, 2013, an increase of $5.3 million, or 6%, compared to $87.9 million for the nine months ended September 30, 2012. The increase was the result of an increase in average interest-bearing liabilities of $5.7 billion, or 21%, to $32.7 billion, from $27.0 billion for the nine months ended September 30, 2012, partially offset by a decrease in the average cost of interest-bearing liabilities to 0.38%, compared to 0.43% for the nine months ended September 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 $9.1 million for the nine months ended September 30, 2013, compared to $19.8 million for the nine months ended September 30, 2012. The average contractual cost of total interest-bearing liabilities was 0.42%, compared to 0.53% for the nine months ended September 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 $42.8 million for the nine months ended September 30, 2013, a decrease of $2.5 million, or 5%, from $45.2 million for the nine months ended September 30, 2012. Interest expense on deposits for the nine months ended September 30, 2013 and 2012 was reduced by $9.1 million and $17.9 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $28.1 billion for the nine months ended September 30, 2013, an increase of 17% from $24.0 billion for the nine months ended September 30, 2012. Average checking deposits comprised 49% of average total deposits, compared to 45% for the nine months ended September 30, 2012. Total average money market checking and savings accounts were 39% of average total deposits, compared to 40% for the nine months ended September 30, 2012. Average CD balances were 12% of average total deposits, compared to 15% for the nine months ended September 30, 2012. The average cost of deposits, including purchase accounting amortization, decreased 5 basis points to 0.20% for the nine months ended September 30, 2013, from 0.25% for the nine months ended September 30, 2012. The average contractual cost of deposits decreased to 0.25%, from 0.35% for the nine months ended September 30, 2012, primarily due to lower market interest rates and an improved deposit mix. For a reconciliation of the average contractual cost of deposits to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest expense on borrowings was $50.4 million for the nine months ended September 30, 2013, compared to $42.7 million for the nine months ended September 30, 2012, an increase of $7.7 million, or 18%.

Interest expense on long-term FHLB advances increased $8.6 million, or 21%, to $49.0 million for the nine months ended September 30, 2013, from $40.4 million for the nine months ended September 30, 2012. The increase was primarily due to an increase in average long-term FHLB advances to $4.0 billion, compared to $2.9 billion for the nine months ended September 30, 2012. The average cost of long-term FHLB advances decreased 17 basis points to 1.66%, compared to 1.83% for the nine months ended September 30, 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 12% for the nine months ended September 30, 2013, compared to 11% for the nine months ended September 30, 2012.

Noninterest Income

The following table presents noninterest income for the periods indicated:

	Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**
Noninterest income:		
Investment advisory fees	$ 81,390	$ 42,749
Brokerage and investment fees	7,980	7,778
Trust fees	7,110	6,334
Foreign exchange fee income	10,664	8,357
Deposit fees	13,713	10,248
Gain on sale of loans	35,984	21,110
Loan servicing fees, net	5,078	(5,524)
Loan and related fees	5,774	4,462
Income from investments in life insurance	17,609	15,974
Other income	2,848	1,635
Total noninterest income	$ 188,150	$ 113,123

Noninterest income for the nine months ended September 30, 2013 increased $75.0 million, or 66%, to $188.2 million, from $113.1 million for the nine months ended September 30, 2012. The increase in noninterest income was primarily due to increases in investment advisory fees, gain on sale of loans, net loan servicing fees, deposit fees, foreign exchange fee income and income from investments in life insurance.

Investment advisory fees. Investment advisory fees were $81.4 million for the nine months ended September 30, 2013, a 90% increase from $42.7 million for the nine months ended September 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 and market appreciation.

Brokerage and investment fees. Brokerage and investment fees were $8.0 million for the nine months ended September 30, 2013, compared to $7.8 million for the nine months ended September 30, 2012.

Trust fees. Trust fees for the nine months ended September 30, 2013 were $7.1 million, a 12% increase from $6.3 million for the nine months ended September 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 $10.7 million on foreign exchange business for the nine months ended September 30, 2013, a 28% increase from $8.4 million for the nine months ended September 30, 2012. The increase in foreign exchange fees was primarily driven by higher client trading volume, the addition of new clients and addition of new sales personnel.

Deposit fees. Deposit fees were $13.7 million for the nine months ended September 30, 2013, an increase of 34% from $10.2 million for the nine months ended September 30, 2012 as a result of deposit growth and a change to fee structure beginning on January 1, 2013. These fees vary with the level and type of account activity and have generally increased due to overall deposit growth and growth in business banking deposits.

Gain on sale of loans. The gain on the sale of $2.4 billion of loans was $36.0 million, or approximately 147 basis points on the loans sold, for the nine months ended September 30, 2013, compared to gains of $21.1 million on loan sales of $1.8 billion, or 120 basis points on loans sold, for the nine months ended September 30, 2012. The higher level of gain on sales was driven primarily by higher margins on loans sold and a higher volume of loans sold, primarily in the first six months of 2013.

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

($ in thousands)	Nine Months Ended September 30, 2013	2012
Contractually specified servicing fees	$ 10,476	$ 7,475
Amortization expense	(7,103)	(5,824)
Net reversal of (provisions for) impairment	1,705	(7,175)
Loan servicing fees, net	$ 5,078	$ (5,524)

Contractual servicing fees for the nine months ended September 30, 2013 were $10.5 million, compared to $7.5 million for the nine months ended September 30, 2012. The increase in contractual servicing fees was primarily due to the growth in the servicing portfolio. A reversal of impairment provision of $1.7 million was recorded for the nine months ended September 30, 2013 as a result of lower actual and projected repayments in the servicing portfolio. A provision for impairment of $7.2 million was recorded for the nine months ended September 30, 2012 due to higher actual and projected repayments.

Loan and related fees. Loan and related fee income was $5.8 million for the nine months ended September 30, 2013, compared to $4.5 million for the nine months ended September 30, 2012. We collected prepayment penalty fees on loans serviced for others of $2.1 million and $1.3 million for the nine months ended September 30, 2013 and 2012, respectively.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $17.6 million for the nine months ended September 30, 2013, compared to $16.0 million for the nine months ended September 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.

Other income. Other income was $2.8 million for the nine months ended September 30, 2013, compared to $1.6 million for the nine months ended September 30, 2012. The nine months ended September 30, 2013 included net gains on securities available-for-sale of $972,000, compared to $220,000 for the nine months ended September 30, 2012.

Noninterest Expense

The following table presents noninterest expense for the periods indicated:

($ in thousands)	Nine Months Ended September 30, 2013	2012
Noninterest expense:		
Salaries and employee benefits	$ 298,921	$ 251,244
Occupancy	67,814	61,814
Information systems	57,823	52,763
Tax credit investments	34,152	15,119
Amortization of intangibles	19,929	15,545
FDIC and other deposit assessments	20,476	17,702
Advertising and marketing	18,465	19,059
Professional fees	15,172	14,994
Other expenses	68,468	66,460
Total noninterest expense	$ 601,220	$ 514,700

Noninterest expense increased by $86.5 million, or 17%, to $601.2 million for the nine months ended September 30, 2013, from $514.7 million for the nine months ended September 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 54.8% for the nine months ended September 30, 2013, compared to 52.3% for the nine months ended September 30, 2012. Excluding the impact of purchase accounting, the efficiency ratio was 58.8%, compared to 59.5% for the nine months ended September 30, 2012. For a reconciliation of the adjusted efficiency ratio to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Salaries and employee benefits. Salaries and employee benefits were $298.9 million for the nine months ended September 30, 2013, a 19% increase from $251.2 million for the nine months ended September 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 the continued expansion of our franchise.

Occupancy. Occupancy costs were $67.8 million for the nine months ended September 30, 2013, a 10% increase from $61.8 million for the nine months ended September 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 $57.8 million for the nine months ended September 30, 2013, a 10% increase from $52.8 million for the nine months ended September 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 nine months ended September 30, 2013 were $34.2 million, an increase of $19.0 million, compared to $15.1 million for the nine months ended September 30, 2012. The increase was primarily due to an increasing amount of such investments. For the nine months ended September 30, 2013, the tax credits allocated to us from these investments reduced tax expense by approximately $33.6 million, compared to $18.4 million for the nine months ended September 30, 2012.

Amortization of intangibles. Amortization expense for the nine months ended September 30, 2013 and 2012 was $19.9 million and $15.5 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 $6.1 million for the nine months ended September 30, 2013.

FDIC and other deposit assessments. FDIC and other deposit assessments were $20.5 million for the nine months ended September 30, 2013, an increase of 16% from $17.7 million for the nine months ended September 30, 2012. The increase 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 $18.5 million for the nine months ended September 30, 2013 and $19.1 million for the nine months ended September 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 $15.2 million for the nine months ended September 30, 2013, compared to $15.0 million for the nine months ended September 30, 2012.

Other expenses. Other expenses were $68.5 million for the nine months ended September 30, 2013, compared to $66.5 million for the nine months ended September 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:

	Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**
Other expenses:		
Deposit client related costs	$ 14,687	$ 12,466
Travel and entertainment	8,699	7,779
Loan related costs	6,807	6,903
Insurance expense	4,413	3,962
Subscriptions	4,128	3,580
Recruiting fees	3,494	5,426
Provision on loan commitments	500	3,325
Other operating expenses	25,740	23,019
Total other expenses	$ 68,468	$ 66,460

Provision for Income Taxes

The effective tax rate for the nine months ended September 30, 2013 was 25.5%, compared to 30.5% for the nine months ended September 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 $877.5 million for the nine months ended September 30, 2013, an increase of 5% from $835.0 million for the nine months ended September 30, 2012. The increase in net interest income was primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $29.2 million for the nine months ended September 30, 2013, compared to $46.2 million for the nine months ended September 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 $80.0 million for the nine months ended September 30, 2013, compared to $45.8 million for the nine months ended September 30, 2012. The increase in noninterest income was primarily due to higher gain on sale of loans and net loan servicing fees.

Noninterest expense for Commercial Banking was $502.2 million for the nine months ended September 30, 2013, an increase of 14% from $440.8 million for the nine months ended September 30, 2012. The increase in noninterest expense 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 $31.9 million for the nine months ended September 30, 2013, compared to $35.7 million for the nine months ended September 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 $2.8 billion and $2.3 billion at September 30, 2013 and 2012, respectively. The decrease in net interest income was the result of a lower earnings crediting rate, partially offset by higher balances.

Noninterest income for Wealth Management was $114.1 million for the nine months ended September 30, 2013, a 59% increase from $71.7 million for the nine months ended September 30, 2012. Fees and other revenues increased 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 $104.9 million for the nine months ended September 30, 2013, a 34% increase from $78.2 million for the nine months ended September 30, 2012. The increase 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 higher operating margin in the first nine months of 2013 was primarily the result of the increase in fees from the Luminous asset purchase and organic growth in assets under management. The lower operating margin in the last six months of 2012 was primarily the result of a lower earnings crediting rate.

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

Assets under management or administration in the Wealth Management segment, in aggregate were $38.2 billion, an increase of 56% 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)	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
First Republic Investment Management	$ 20,093	$ 19,045	$ 18,573	$ 17,000	$ 10,782
Brokerage and Investment:					
Brokerage	11,905	10,784	10,357	8,810	8,499
Money Market Mutual Funds	870	929	870	852	658
Total Brokerage and Investment	12,775	11,713	11,227	9,662	9,157
Trust Company:					
Trust	2,857	2,822	2,326	2,157	2,053
Custody [1]	2,510	2,766	2,520	2,471	2,469
Total Trust Company	5,367	5,588	4,846	4,628	4,522
Total Wealth Management Assets	$ 38,235	$ 36,346	$ 34,646	$ 31,290	$ 24,461

[1] Custody assets 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 began to collect cost basis or market value information on these securities from the clients, which are generally higher than our prior reporting basis. As a result, these nominal safekeeping amounts have begun to increase and 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)	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Safekeeping Assets	$ 3,646	$ 1,037	$ 628	$ 392	$ 372

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)	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Assets under management [(1)]					
Beginning balance	$ 36,346	$ 34,646	$ 31,290	$ 24,461	$ 22,957
Net client flow	816	1,662	2,600	848	794
Market appreciation (depreciation)	1,073	38	756	90	710
Luminous transaction	—	—	—	5,891	—
Ending balance	$ 38,235	$ 36,346	$ 34,646	$ 31,290	$ 24,461

(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 $81.4 million for the nine months ended September 30, 2013, an increase of $38.6 million, or 90%, compared to $42.7 million for the nine months ended September 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 the addition of new clients and market appreciation. Assets under management were $20.1 billion at September 30, 2013, compared to $10.8 billion at September 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 $8.0 million for the nine months ended September 30, 2013, compared to $7.8 million for the nine months ended September 30, 2012. At September 30, 2013, we held $12.8 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $9.2 billion at September 30, 2012, an increase of 40%.

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 $7.1 million for the nine months ended September 30, 2013, a 12% increase compared to $6.3 million for the nine months ended September 30, 2012. The increase in trust fees was primarily due to the addition of new clients and increased assets under custody or administration. At September 30, 2013, assets under custody or administration were $5.3 billion, compared to $4.5 billion at September 30, 2012, an increase of 19%.

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				
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
First Republic Investment Management	0.59 %	0.59 %	0.56 %	0.60 % (1)	0.59 %
Brokerage and Investment:					
Brokerage	0.09 %	0.11 %	0.09 %	0.13 %	0.11 %
Money Market Mutual Funds	0.02 %	0.06 %	0.06 %	0.09 %	0.08 %
Total Brokerage and Investment	0.08 %	0.11 %	0.09 %	0.12 %	0.11 %
Trust Company:					
Trust	0.26 %	0.25 %	0.24 %	0.33 %	0.30 %
Custody (2)	0.11 %	0.13 %	0.11 %	0.11 %	0.13 %
Total Trust Company	0.19 %	0.19 %	0.17 %	0.21 %	0.21 %
Total Wealth Management	0.36 %	0.37 %	0.36 %	0.35 %	0.34 %

(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)	September 30, 2013	December 31, 2012	September 30, 2012
Available-for-sale:			
Securities of U.S. states and political subdivisions:			
Taxable municipal securities	$ 47,450	$ 47,459	$ 46,401
Residential agency MBS	115,971	137,386	148,846
Residential non-agency MBS	15,082	17,661	18,410
Commercial MBS	533,804	589,661	584,540
Collateralized loan obligations	508,083	167,500	—
Marketable equity securities	1,412	766	677
Total	$ 1,221,802	$ 960,433	$ 798,874
Held-to-maturity:			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 2,739,910	$ 2,269,526	$ 2,172,872
Tax-exempt nonprofit debentures	171,435	221,306	221,636
Taxable municipal securities	53,190	53,222	53,231
Residential non-agency MBS	1,585	1,135	1,149
Total	$ 2,966,120	$ 2,545,189	$ 2,448,888

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

At September 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 $5.5 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)	September 30, 2013	December 31, 2012	September 30, 2012
Unpaid principal balance:			
Single family (1-4 units)	$ 18,880	$ 16,673	$ 16,018
Home equity lines of credit	1,959	1,888	1,887
Multifamily (5+ units)	3,915	3,007	2,767
Commercial real estate	3,319	2,909	2,814
Single family construction	276	234	235
Multifamily/commercial construction	275	171	152
Total real estate mortgages	28,624	24,882	23,873
Commercial business	3,202	2,600	2,236
Other secured	423	392	375
Unsecured loans and lines of credit	271	280	216
Stock secured	120	145	123
Total other loans	4,016	3,417	2,950
Total unpaid principal balance	32,640	28,299	26,823
Net unaccreted discount	(243)	(332)	(369)
Net deferred fees and costs	17	20	19
Carrying value	32,414	27,987	26,473
Allowance for loan losses	(146)	(130)	(113)
Loans, net	32,268	27,857	26,360
Single family loans held for sale	60	205	63
Total	$ 32,328	$ 28,062	$ 26,423

The following table separates our loan portfolio as of September 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 September 30, 2013
Single family (1-4 units)	$ 4,050	$ 14,830	$ 18,880
Home equity lines of credit	825	1,134	1,959
Multifamily (5+ units)	521	3,394	3,915
Commercial real estate	938	2,381	3,319
Single family construction	7	269	276
Multifamily/commercial construction	1	274	275
Commercial business	378	2,824	3,202
Other secured	41	382	423
Unsecured loans and lines of credit	43	228	271
Stock secured	4	116	120
Total unpaid principal balance	6,808	25,832	32,640
Net unaccreted discount	(242)	(1)	(243)
Net deferred fees and costs	(7)	24	17
Allowance for loan losses	(11)	(135)	(146)
Loans, net	$ 6,548	$ 25,720	$ 32,268

The following table presents an analysis of the unpaid principal balance of our loan portfolio at September 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	$ 8,614	$ 4,285	$ 2,570	$ 1,635	$ 494	$ 204	$ 1,138	$ 18,940	58%
HELOCs	772	388	377	211	63	19	129	1,959	6%
Multifamily	2,263	467	345	137	417	41	245	3,915	12%
Commercial real estate	1,855	388	474	70	159	103	270	3,319	10%
Commercial business	1,533	575	574	246	137	—	137	3,202	10%
Construction	225	81	115	10	16	16	88	551	2%
Stock and other secured	169	127	49	71	4	4	119	543	1%
Unsecured	118	58	45	22	1	1	26	271	1%
Total	$ 15,549	$ 6,369	$ 4,549	$ 2,402	$ 1,291	$ 388	$ 2,152	$ 32,700	100%
% by location	48%	19%	14%	7%	4%	1%	7%	100%	

At September 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 originate single family loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. At September 30, 2013, approximately $13.4 billion, or 71%, 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 September 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 759 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 September 30, 2013:

($ in thousands)	September 30, 2013	
LTV at Origination	Unpaid principal balance	% of unpaid principal balance of portfolio
Less than or equal to 60%	$ 8,448,838	44.6%
Greater than 60% to 70%	5,662,354	29.9%
Greater than 70% to 80%	4,716,100	24.9%
Greater than 80% to 90%	88,053	0.5%
Greater than 90%	2,657	0.0%
Nonaccrual	22,401	0.1%
Total	$ 18,940,403	100.0%

We do not originate single family loans with the characteristics generally described as "subprime" or "high cost." Subprime loans are typically made to borrowers with little or no cash reserves and poor or limited credit. Often, subprime loans are underwritten using limited documentation. Over the past two years, the single family loans originated by us had a weighted average credit score of 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; thereafter, the unpaid principal balance fully and evenly amortizes over a period of fifteen years. We underwrite HELOCs based on the same standards as single family home loans. As a result, our delinquency and loss experience on HELOCs has been similar to the experience for single family loans.

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

($ in thousands)	**September 30, 2013**		
CLTV at Origination	**Unpaid principal balance**	**Total commitment**	**% of unpaid principal balance of portfolio**
Less than or equal to 60%	$ 1,019,087	$ 2,505,087	52.0%
Greater than 60% to 70%	635,125	1,349,988	32.5%
Greater than 70% to 80%	286,179	614,608	14.6%
Greater than 80% to 90%	4,789	13,115	0.2%
Greater than 90%	868	868	0.0%
Nonaccrual	12,984	14,780	0.7%
Total	$ 1,959,032	$ 4,498,446	100.0%

Multifamily. At September 30, 2013 and December 31, 2012, the unpaid principal balance of multifamily loans was $3.9 billion and $3.0 billion, respectively. At September 30, 2013 and December 31, 2012, included in this portfolio were $1.1 billion and $772.4 million, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At September 30, 2013, for multifamily loans that allow for interest-only payments, the weighted average LTV was 55% based on the appraised value at the time of origination. Additionally, at September 30, 2013 and December 31, 2012, we had committed to lend $105.4 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 September 30, 2013 and December 31, 2012 was $50.3 million and $35.0 million, respectively, representing 1% of the portfolio at September 30, 2013 and December 31, 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate. At September 30, 2013 and December 31, 2012, the unpaid principal balance of commercial real estate loans was $3.3 billion and $2.9 billion, respectively. At September 30, 2013 and December 31, 2012, included in this portfolio were $674.7 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 September 30, 2013, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 50% based on the appraised value at the time of origination. Additionally, at September 30, 2013 and December 31, 2012, we had committed to lend $150.5 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 September 30, 2013 and December 31, 2012 was $49.8 million and $63.8 million, respectively, representing 2% of the portfolio at September 30, 2013 and December 31, 2012; these lines of credit also allow for interest-only payments for an initial period.

Commercial Business. At September 30, 2013 and December 31, 2012, the unpaid principal balance of commercial business loans was $3.2 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.

	September 30, 2013		December 31, 2012	
($ in thousands)	**Unpaid principal balance**	**Total commitment**	**Unpaid principal balance**	**Total commitment**
Private Equity/Venture Capital Funds	$ 673,891	$ 2,171,681	$ 630,304	$ 1,914,497
Schools/Non-profit Organizations	1,295,946	1,731,173	922,070	1,181,715
Entertainment Industry	183,977	399,655	138,515	211,366
Investment Firms	151,744	351,692	184,174	414,131
Real Estate Related Entities	190,278	336,554	139,709	230,814
Professional Service Firms	133,030	306,672	127,735	270,368
Clubs and Membership Organizations	147,510	166,401	98,165	112,864
Aircraft/Watercraft	140,911	146,122	127,109	128,376
Vineyards/Wine	87,849	120,604	52,632	88,384
Other	196,962	299,867	179,738	276,073
Total	$ 3,202,098	$ 6,030,421	$ 2,600,151	$ 4,828,588

Loan Originations. Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans, primarily for our existing clients. At September 30, 2013, approximately 37% 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 September 30, 2013, we have originated approximately $104 billion of loans, of which approximately $20 billion have been sold to investors.

Total loan originations were $4.9 billion for the third quarter of 2013, compared to $4.0 billion for the third quarter of 2012, an increase of 22%. 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)	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Single family (1-4 units)	$ 2,269,410	$ 2,845,928	$ 2,061,908	$ 2,260,035	$ 2,409,337
Home equity lines of credit	350,452	353,087	259,789	322,440	251,804
Multifamily	576,604	470,052	432,029	413,367	272,389
Commercial real estate	366,820	387,108	154,520	334,913	270,817
Construction	297,878	268,871	105,236	117,814	146,208
Commercial business	871,356	804,288	372,345	661,888	550,805
Other loans	197,839	180,860	160,031	191,535	139,484
Total loans originated	$ 4,930,359	$ 5,310,194	$ 3,545,858	$ 4,301,992	$ 4,040,844

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				
	September 30, 2013	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Purchase loans	42%	44%	30%	37%	39%
Refinance loans	58%	56%	70%	63%	61%
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 September 30, 2013, the approximate weighted average LTVs at origination for loans in our portfolio were 59% on single family loans, 55% (CLTV) on HELOCs, 57% on multifamily loans, 54% on commercial real estate loans and 55% on construction loans. These original LTVs change over time as property values fluctuate and principal payments are made.

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

Asset Quality

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

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

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

($ in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Nonaccrual loans			
Single family	$ 21,812	$ 20,744	$ 16,579
HELOCs	12,844	4,825	4,018
Multifamily	2,542	3,335	3,371
Commercial real estate	7,041	6,599	246
Single family construction	3,448	—	—
Commercial business	4,091	13,567	14,589
Other	69	83	89
Total nonaccrual loans	51,847	49,153	38,892
Other real estate owned	3,353	—	2,642
Total nonperforming assets	$ 55,200	$ 49,153	$ 41,534
Nonperforming assets to total assets	0.13%	0.14%	0.13%
Restructured accruing loans	$ 19,950	$ 12,398	$ 12,277
Accruing loans 90 days or more past due	$ —	$ —	$ 970

Of the loans on nonaccrual status, at September 30, 2013, $40.6 million were current, compared to $33.8 million at December 31, 2012. The majority of these loans were current in accordance with their modified payment terms.

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

Allowance for Loan Losses

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

We evaluate any allowance for loan losses that would be required on acquired loans, which were recorded at fair value on the acquisition date, by evaluating whether the loans had experienced a deterioration in credit such as a decline in the fair value of the underlying collateral, the worsening of a borrower's financial condition, or a delinquency in payment. If the 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 September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Allowance for loan losses:				
Balance at beginning of period	$ 148,307	$ 97,049	$ 129,889	$ 68,113
Provision	10,023	16,505	29,154	46,232
Charge-offs:				
Single family	—	(191)	—	(431)
HELOCs	(322)	(178)	(613)	(223)
Multifamily	—	(50)	—	(384)
Commercial business	(11,998)	(95)	(12,062)	(189)
Unsecured	(119)	(60)	(971)	(237)
Total charge-offs	(12,439)	(574)	(13,646)	(1,464)
Recoveries:				
Single family	6	1	18	43
HELOCs	—	—	42	6
Multifamily	—	8	—	8
Commercial business	6	3	25	37
Unsecured	9	8	430	25
Total recoveries	21	20	515	119
Net loan charge-offs	(12,418)	(554)	(13,131)	(1,345)
Balance at end of period	$ 145,912	$ 113,000	$ 145,912	$ 113,000
Average total loans for the period	$ 31,260,759	$ 25,798,547	$ 29,462,632	$ 24,208,100
Total loans at period end	$ 32,414,259	$ 26,473,432	$ 32,414,259	$ 26,473,432
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.16%	0.01%	0.06%	0.01%
Allowance for loan losses to:				
Total loans	0.45%	0.43%	0.45%	0.43%
Nonaccruing loans	281.4%	290.5%	281.4%	290.5%

At September 30, 2013, the allowance for loan losses was 0.45% of our total loan portfolio, compared to 0.46% at December 31, 2012. At September 30, 2013, $135.1 million of the allowance for loan losses relates to the loans outstanding that were originated since July 1, 2010, and represented 0.52% of such loans outstanding, compared to 0.59% at December 31, 2012. During the three months ended September 30, 2013, $12.0 million of charge-offs were recorded related to one nonperforming commercial business loan relationship.

Also, for loans with purchase accounting discounts, we reduce loan discounts for charge-offs of contractual amounts outstanding, which are not included in the allowance for loan losses rollforward above. The following table summarizes net loan charge-offs recorded both against the allowance for loan losses and against loan discounts, as well as the related percentage of net loan charge-offs to average loans for the periods indicated. We expect our net loan charge-off rate for the full year 2013 to be less than 0.10%.

	Three Months Ended September 30,				Nine Months Ended September 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	0.16%	$ 12,418	0.01%	$ 554	0.06%	$ 13,131	0.01%	$ 1,345
Loan discounts	0.00%	320	0.00%	57	0.00%	359	0.00%	141
Total	0.16%	$ 12,738	0.01%	$ 611	0.06%	$ 13,490	0.01%	$ 1,486

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

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 September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Single family loans originated	$ 2,269,410	$ 2,409,337	$ 7,177,246	$ 6,343,076
Loans sold:				
Agency	$ 48,509	$ 372,284	$ 413,753	$ 680,402
Non-agency	235,658	401,946	2,033,959	1,081,664
Total loans sold	$ 284,167	$ 774,230	$ 2,447,712	$ 1,762,066
Gain on sale of loans:				
Amount	$ 1,215	$ 12,547	$ 35,984	$ 21,110
Gain as a percentage of loans sold	0.43%	1.62%	1.47%	1.20%

The lower level of gain on sales in the third quarter of 2013 compared to the same period in 2012 was the result of a much lower volume of loans sold and lower pricing, due to less favorable market conditions. The higher level of gain on sales for the nine months ended September 30, 2013 compared to the same period in 2012 was driven primarily by higher margins on loans sold and a higher volume of loans sold, primarily in the first six months of 2013. 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 September 30, 2013, from $4.6 billion at December 31, 2012 due to increased loan sales. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At September 30, 2013, MSRs were $29.9 million (50 basis points of loans serviced), compared to $17.8 million (39 basis points of loans serviced) at December 31, 2012.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At September 30, 2013 and December 31, 2012, our total deposits were $31.3 billion and $27.1 billion, respectively.

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 $29.9 billion and $26.3 billion, representing 96% and 97% of total deposits, at September 30, 2013 and December 31, 2012, respectively.

Deposits increased 16% at September 30, 2013 compared to December 31, 2012 as the Bank continued to 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)	**September 30, 2013**	**December 31, 2012**	**September 30, 2012**
Preferred Banking offices			
Northern California	$ 6,825,395	$ 6,170,601	$ 5,956,110
Metropolitan New York	1,740,937	1,500,193	1,352,145
Southern California	1,643,980	1,519,003	1,709,154
Boston	519,760	401,048	327,171
Subtotal	10,730,072	9,590,845	9,344,580
Preferred Banking			
Northern California	7,448,833	6,288,964	6,140,573
Metropolitan New York	4,064,972	3,527,781	3,142,713
Southern California	2,784,917	2,455,566	2,234,696
Boston	2,742,080	2,094,335	1,904,488
Wealth Management	744,897	708,266	551,892
Subtotal	17,785,699	15,074,912	13,974,362
Wealth management sweep	2,018,069	1,916,545	1,791,954
Other	756,529	505,945	593,182
Total deposits	$ 31,290,369	$ 27,088,247	$ 25,704,078

Overall, deposits in our Preferred Banking offices grew 15% since September 30, 2012. Checking and savings deposits in our Preferred Banking offices increased 12% since September 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 27% since September 30, 2012. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank. These deposits grew 13% 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)	September 30, 2013	December 31, 2012	September 30, 2012
Consumer deposits:			
Negotiable order of withdrawal ("NOW") checking	$ 5,764,707	$ 6,252,644	$ 4,562,659
Money Market ("MM") checking	2,280,584	2,110,421	2,023,065
Passbook	1,686,090	1,993,174	2,030,633
MM savings	2,654,327	2,320,573	2,062,815
CDs	4,032,725	2,966,030	3,201,763
	16,418,433	15,642,842	13,880,935
Business deposits:			
Business checking	9,229,627	7,700,153	7,959,735
Business MM checking	2,830,968	1,994,370	1,925,628
Business savings	2,811,341	1,750,882	1,937,780
	14,871,936	11,445,405	11,823,143
Total	$ 31,290,369	$ 27,088,247	$ 25,704,078

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 September 30, 2013 and December 31, 2012, our CDs having balances greater than $250,000 totaled $1.4 billion and $817.1 million, respectively. In addition, our CDs having balances of $100,000 or more totaled $3.0 billion and $2.0 billion at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, the weighted average contractual rate paid on CDs was 1.31%, down 29 basis points, compared to 1.60% at December 31, 2012. At September 30, 2013 and December 31, 2012, the average remaining maturity of all CDs was approximately 14.4 months and 17.3 months, respectively.

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

	September 30, 2013	
($ in thousands)	Amount	Weighted Average Contractual Rate
Certificates of deposit:		
October 1 - December 31, 2013	$ 545,943	0.77%
2014	2,125,324	1.00%
2015	704,321	2.16%
2016	423,749	1.92%
2017	45,608	1.31%
2018 and thereafter	177,620	1.80%
Subtotal	4,022,565	1.31%
Purchase accounting premium	10,160	
Total	$ 4,032,725	

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 September 30, 2013, we had no short-term borrowings, compared to $75.0 million at December 31, 2012. At September 30, 2013 and December 31, 2012, we had long-term FHLB advances of $5.2 billion and $3.2 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 3.4 years at September 30, 2013.

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

	September 30, 2013	
($ in thousands)	Amount	Weighted Average Contractual Rate
FHLB advances maturing in:		
October 1 - December 31, 2013	$ —	—%
2014	300,000	1.25%
2015	850,000	1.67%
2016	1,200,000	1.42%
2017	1,100,000	1.62%
2018 and thereafter	1,700,000	1.66%
Total	$ 5,150,000	1.57%

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at September 30, 2013 was $9.7 billion and $2.4 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 September 30, 2013, our investment securities portfolio of $4.2 billion and cash and cash equivalents of $1.9 billion comprised 15% of total assets. At September 30, 2013, we had $9.7 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $2.4 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 nine months ended September 30, 2013, we originated $13.8 billion of loans and purchased $925.2 million of investment securities, which were funded by loan repayments of $8.0 billion, a net increase in deposits of $4.2 billion, the sale of $2.4 billion of loans, and a net increase in long-term FHLB advances of $2.0 billion.

We had no short-term borrowings at September 30, 2013. We primarily use short-term borrowings 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 September 30, 2013, our total equity was $3.9 billion, which included $3.2 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.

At September 30, 2013, our Tier 2 capital included the allowance for loan losses of $145.9 million and the reserve for unfunded commitments of $8.6 million. At December 31, 2012, our Tier 2 capital included the allowance for loan losses of $129.9 million and the reserve for unfunded commitments of $8.1 million.

During the nine months ended September 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.

On October 28, 2013, we completed a public offering of 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock") with an aggregate liquidation preference of $200.0 million. Total net proceeds, after underwriting discounts and expenses, were approximately $194.1 million. The Series E Preferred Stock qualifies as Tier 1 capital under regulatory guidelines.

Our capital ratios exceeded all applicable regulatory requirements at September 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 regulatory capital information at September 30, 2013 and the standards for both well-capitalized depository institutions and minimum capital requirements:

($ in thousands)	Amount
Regulatory Capital:	
Tier 1 [(1)]	$ 3,615,909
Total	$ 3,770,840
Assets:	
Average [(1)]	$ 39,405,842
Risk-weighted	$ 27,687,093

	Ratio	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:			
Tier 1 capital to average assets	9.18%	5.00%	4.00%
Tier 1 capital to risk-weighted assets	13.06%	6.00%	4.00%
Total capital to risk-weighted assets	13.62%	10.00%	8.00%

[(1)] Tier 1 capital and average assets exclude goodwill and intangible assets.

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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Non-GAAP earnings				
Net income	$ 111,983	$ 102,696	$ 348,010	$ 292,361
Accretion / amortization added to net interest income	(30,627)	(46,651)	(98,421)	(145,111)
Accretion added to noninterest income	—	(171)	—	(255)
Amortization of intangible assets	4,447	5,087	13,824	15,545
Add back tax impact of the above items	11,127	17,737	35,954	55,174
Non-GAAP net income	96,930	78,698	299,367	217,714
Dividends on preferred stock	(10,389)	(5,667)	(27,871)	(12,209)
Redemption of FRPCC preferred stock	—	—	—	(13,200)
Impact of FRPCC preferred stock redemption	—	—	—	13,200
Non-GAAP net income available to common shareholders	$ 86,541	$ 73,031	$ 271,496	$ 205,505
GAAP earnings per common share-diluted	$ 0.75	$ 0.72	$ 2.36	$ 1.99
Impact of purchase accounting, net of tax	(0.11)	(0.18)	(0.36)	(0.56)
Impact of FRPCC preferred stock redemption	—	—	—	0.10
Non-GAAP earnings per common share-diluted	$ 0.64	$ 0.54	$ 2.00	$ 1.53
Weighted average diluted common shares outstanding	136,133	134,374	135,692	134,004

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2013**	**2012**	**2013**	**2012**
Average yield on loans				
Interest income on loans	$ 303,747	$ 295,045	$ 886,055	$ 865,759
Add: Tax-equivalent adjustment on loans	5,459	2,850	13,803	7,377
Interest income on loans (tax-equivalent basis)	309,206	297,895	899,858	873,136
Less: Accretion	(28,008)	(41,351)	(89,326)	(125,272)
Non-GAAP interest income on loans (tax equivalent basis)	$ 281,198	$ 256,544	$ 810,532	$ 747,864
Average loans	$ 31,371,115	$ 25,980,676	$ 29,794,873	$ 24,392,316
Add: Average unaccreted loan discounts	261,121	396,197	291,604	438,897
Average loans (non-GAAP)	$ 31,632,236	$ 26,376,873	$ 30,086,477	$ 24,831,213
Average yield on loans-reported	3.90%	4.54%	4.01%	4.75%
Average contractual yield on loans (non-GAAP)	3.52%	3.86%	3.58%	3.99%

($ in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Average cost of deposits				
Interest expense on deposits	$ 18,504	$ 13,584	$ 42,768	$ 45,249
Add: Amortization of CD premiums	2,619	4,724	9,095	17,897
Non-GAAP interest expense on deposits	$ 21,123	$ 18,308	$ 51,863	$ 63,146
Average deposits	$ 30,376,246	$ 25,350,133	$ 28,128,183	$ 23,956,431
Less: Average unamortized CD premiums	(11,400)	(25,887)	(14,338)	(31,443)
Average deposits (non-GAAP)	$ 30,364,846	$ 25,324,246	$ 28,113,845	$ 23,924,988
Average cost of deposits-reported	0.24%	0.21%	0.20%	0.25%
Average contractual cost of deposits (non-GAAP)	0.28%	0.29%	0.25%	0.35%

($ in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net interest margin				
Net interest income	$ 308,210	$ 298,821	$ 909,351	$ 870,686
Add: Tax-equivalent adjustment	21,955	17,007	60,911	47,993
Net interest income (tax-equivalent basis)	330,165	315,828	970,262	918,679
Less: Accretion / amortization	(30,627)	(46,651)	(98,421)	(145,111)
Non-GAAP net interest income (tax-equivalent basis)	$ 299,538	$ 269,177	$ 871,841	$ 773,568
Average interest-earning assets	$ 37,412,496	$ 30,345,379	$ 34,722,539	$ 28,615,575
Add: Average unaccreted loan discounts	261,121	396,197	291,604	438,897
Average interest-earning assets (non-GAAP)	$ 37,673,617	$ 30,741,576	$ 35,014,143	$ 29,054,472
Net interest margin–reported	3.50%	4.13%	3.71%	4.26%
Net interest margin (non-GAAP)	3.15%	3.47%	3.30%	3.53%

($ in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Efficiency ratio				
Net interest income	$ 308,210	$ 298,821	$ 909,351	$ 870,686
Less: Accretion / amortization	(30,627)	(46,651)	(98,421)	(145,111)
Net interest income (non-GAAP)	$ 277,583	$ 252,170	$ 810,930	$ 725,575
Noninterest income	$ 53,632	$ 43,839	$ 188,150	$ 113,123
Less: Accretion of discounts on loan commitments	—	(171)	—	(255)
Noninterest income (non-GAAP)	$ 53,632	$ 43,668	$ 188,150	$ 112,868
Total revenue	$ 361,842	$ 342,660	$ 1,097,501	$ 983,809
Total revenue (non-GAAP)	$ 331,215	$ 295,838	$ 999,080	$ 838,443
Noninterest expense	$ 203,647	$ 178,390	$ 601,220	$ 514,700
Less: Intangible amortization	(4,447)	(5,087)	(13,824)	(15,545)
Noninterest expense (non-GAAP)	$ 199,200	$ 173,303	$ 587,396	$ 499,155
Efficiency ratio	56.3%	52.1%	54.8%	52.3%
Efficiency ratio (non-GAAP)	60.1%	58.6%	58.8%	59.5%

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 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 $2.4 billion of longer-term, fixed-rate loans in the nine months ended September 30, 2013, compared to loan sales of $1.8 billion in the nine months ended September 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 62% of total earning assets at September 30, 2013 and 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 28% of earning assets at September 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 10% and 11% of earning assets at September 30, 2013 and December 31, 2012, respectively. Together, earning assets with reset periods of less than one year totaled 38% at September 30, 2013 and 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 September 30, 2013 and December 31, 2012, money market savings, money market checking and passbook deposit accounts together comprised 39% 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 48% and 52% of total deposits at the same respective period ends. CDs comprised 13% and 11% of total deposits at September 30, 2013 and December 31, 2012, respectively, and had a weighted average remaining maturity of 14.4 months and 17.3 months at the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At September 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 September 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	$ 2,412	$ 85	$ 704	$ 2,941	$ 6,142
Loans, net [1], [2]	13,994	3,258	8,854	6,222	32,328
Other assets	253	—	759	1,469	2,481
Total assets	16,659	3,343	10,317	10,632	$ 40,951
Liabilities and Equity:					
Checking [3]	$ 6,282	$ —	$ —	$ 8,712	$ 14,994
Money market checking and savings deposits [3]	8,297	—	—	3,966	12,263
CDs	2,300	976	674	83	4,033
Long-term FHLB advances	175	900	3,500	575	5,150
Other liabilities	20	—	—	612	632
Equity	—	—	—	3,879	3,879
Total liabilities and equity	17,074	1,876	4,174	17,827	$ 40,951
Repricing gap-positive (negative)	$ (415)	$ 1,467	$ 6,143	$ (7,195)	
Cumulative repricing gap:					
Dollar amount	$ (415)	$ 1,052	$ 7,195		
Percent of total assets	(1.0)%	2.6%	17.6%		

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

(2) Includes loans held for sale.

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

At September 30, 2013, our two-year cumulative gap was a positive 2.6% 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 $5.2 billion at September 30, 2013. Although we believe we are effectively managing our current exposure to changes in interest rates, we may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, 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 September 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 September 30, 2014**	**Twelve Months Ending September 30, 2015**
Shock:		
+400 basis points immediately	6.5 %	21.4 %
+300 basis points immediately	5.3 %	17.3 %
+200 basis points immediately	3.9 %	12.9 %
+100 basis points immediately	2.2 %	7.2 %
-100 basis points immediately	(2.7)%	(5.9)%
-200 basis points immediately	(3.7)%	(7.5)%
Ramp:		
+400 basis points over the next 12 months	0.1 %	14.3 %
+300 basis points over the next 12 months	0.2 %	11.7 %
+200 basis points over next 12 months	0.2 %	8.7 %
+100 basis points over next 12 months	0.2 %	4.8 %
-100 basis points over next 12 months	(1.3)%	(4.7)%
-200 basis points over next 12 months	(1.6)%	(5.9)%

The simulation results generally indicate a mildly asset sensitive position over the next two years, as we benefit in a hypothetical rising rate environment from actual increases in longer-term fixed-rate funding and higher checking balances, net of any hypothetical migration, particularly in year two. We also benefit in such a hypothetical scenario from certain adjustable-rate loans, currently at or beneath their contractual floors, which would begin to reprice upward given an increase in interest rates, as well as projected new loan volume modeled with increasing contractual rates. In a hypothetical declining rate environment in which interest rates drop even lower than where they are currently, we experience a reduction in net interest income as variable funding sources, such as money market savings and checking deposits, reach natural floors while average yields on interest-earning assets continue to decline. In addition, if the current interest rates, particularly medium and longer-term rates, remain low for a prolonged period of time, we may experience 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 September 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 September 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 our Quarterly Reports on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

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

The Dodd-Frank Act amended the Truth-in-Lending Act to require that mortgage lenders show that they have verified the borrower's ability to repay a residential mortgage loan (which does not include HELOCs). Borrowers could possibly claim statutory damages against us for violations of this requirement. Lenders of mortgages that meet a "qualified mortgage" standard have a safe harbor or a presumption of compliance with the requirement. Under final rules issued by the CFPB in January 2013 that become effective on January 10, 2014, qualified mortgages cannot have negative amortization, interest-only payments, or balloon payments, terms over 30 years, or points and fees over certain thresholds.

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

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

Recent Sales of Unregistered Securities

During the third quarter of 2013, we sold 15,036 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $610,000. 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 third quarter of 2013, we granted 39,270 restricted stock 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 $1.8 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.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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: November 6, 2013	/s/ Willis H. Newton, Jr.
	Willis H. Newton, Jr. Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 6, 2013	/s/ Michael J. Roffler
	Michael J. Roffler Senior Vice President and Deputy Chief Financial Officer (Principal Accounting Officer)

INDEX TO EXHIBITS

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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.

EXHIBIT 11

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Basic EPS:				
Net income	$ 111,983	$ 102,696	$ 348,010	$ 292,361
Less: Dividends on preferred stock	10,389	5,667	27,871	12,209
Redemption of FRPCC preferred stock	—	—	—	13,200
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Weighted average common shares outstanding	131,436	130,194	131,130	129,862
Net income per common share-basic	$ 0.77	$ 0.75	$ 2.44	$ 2.06
Diluted EPS:				
Net income available to common shareholders	$ 101,594	$ 97,029	$ 320,139	$ 266,952
Weighted average shares:				
Common shares outstanding	131,436	130,194	131,130	129,862
Dilutive effect of stock options	4,419	4,104	4,353	4,111
Dilutive effect of restricted stock awards, restricted stock units and performance share units	278	76	209	31
Weighted average diluted common shares outstanding	136,133	134,374	135,692	134,004
Net income per common share-diluted	$ 0.75	$ 0.72	$ 2.36	$ 1.99

EXHIBIT 12

FIRST REPUBLIC BANK

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

($ in thousands)	Three Months Ended Sept. 30, 2013	Three Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2013	Nine Months Ended Sept. 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	$ 148,172	$ 147,765	$ 467,127	$ 422,877	$ 580,474	$ 554,732	$ 241,265	$ 228,381	$ 605,778	$ 20,526
Preferred stock dividends of subsidiaries	—	—	—	(2,676)	(2,676)	(7,774)	(4,168)	(4,168)	(8,381)	(8,335)
Redemption of subsidiary’s preferred stock	—	—	—	(13,200)	(13,200)	—	—	—	—	—
Earnings before adjustment for fixed charges	$ 148,172	$ 147,765	$ 467,127	$ 407,001	$ 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	$ 19,336	$ 14,931	$ 50,421	$ 42,684	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479	$ 121,248
Preferred stock dividends of subsidiaries	—	—	—	2,676	2,676	7,774	4,168	4,168	8,381	8,335
Redemption of subsidiary’s preferred stock	—	—	—	13,200	13,200	—	—	—	—	—
Estimated interest component of net rental expense	4,407	4,238	13,232	12,408	16,777	12,884	5,653	6,113	10,058	11,020
Total fixed charges, excluding interest on deposits	23,743	19,169	63,653	70,968	89,858	54,608	18,642	15,541	52,918	140,603
Preferred stock dividend requirements	18,068	9,856	48,471	21,233	32,597	—	—	—	—	—
Fixed charges and preferred stock dividend requirements	$ 41,811	$ 29,025	$ 112,124	$ 92,201	$ 122,455	$ 54,608	$ 18,642	$ 15,541	$ 52,918	$ 140,603
Earnings, including fixed charges	$ 171,915	$ 166,934	$ 530,780	$ 477,969	$ 654,456	$ 601,566	$ 255,739	$ 239,754	$ 650,315	$ 152,794
Ratio of earnings to fixed charges and preferred stock dividend requirements	4.11x	5.75x	4.73x	5.18x	5.34x	11.02x	13.72x	15.43x	12.29x	1.09x
II. Including interest on deposits:										
Interest on borrowings	$ 19,336	$ 14,931	$ 50,421	$ 42,684	$ 57,205	$ 33,950	$ 8,821	$ 5,260	$ 34,479	$ 121,248
Preferred stock dividends of subsidiaries	—	—	—	2,676	2,676	7,774	4,168	4,168	8,381	8,335
Redemption of subsidiary’s preferred stock	—	—	—	13,200	13,200	—	—	—	—	—
Estimated interest component of net rental expense	4,407	4,238	13,232	12,408	16,777	12,884	5,653	6,113	10,058	11,020
Interest on deposits	18,504	13,584	42,768	45,249	56,981	83,268	45,116	90,339	223,964	273,036
Total fixed charges, including interest on deposits	42,247	32,753	106,421	116,217	146,839	137,876	63,758	105,880	276,882	413,639
Preferred stock dividend requirements	18,068	9,856	48,471	21,233	32,597	—	—	—	—	—
Fixed charges and preferred stock dividend requirements	$ 60,315	$ 42,609	$ 154,892	$ 137,450	$ 179,436	$ 137,876	$ 63,758	$ 105,880	$ 276,882	$ 413,639
Earnings, including fixed charges	$ 190,419	$ 180,518	$ 573,548	$ 523,218	$ 711,437	$ 684,834	$ 300,855	$ 330,093	$ 874,279	$ 425,830
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.16x	4.24x	3.70x	3.81x	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: November 6, 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: November 6, 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 September 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: November 6, 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 September 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: November 6, 2013

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