FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

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

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

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

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

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

None

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price of $54.99 as of June 30, 2014 was approximately $7.6 billion.

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of February 13, 2015 was 138,486,473.

DOCUMENTS INCORPORATED BY REFERENCE

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

Portions of the Bank's definitive proxy statement for its annual meeting of shareholders to be held on May 12, 2015 (the "2015 Proxy Statement," which will be filed within 120 days of the Bank's last fiscal year end) are incorporated in Part III of the Form 10-K.

The index to Exhibits appears on page 178.

FIRST REPUBLIC BANK

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EXPLANATORY NOTE

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

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

PART I

Information Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Annual Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors." Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Significant competition to attract and retain banking and wealth management customers;
- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure or other financial items;
- Expectations regarding the banking and wealth management industries;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Descriptions of plans or objectives of management for future operations, products or services;
- Our ability to maintain and follow high underwriting standards;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Geographic concentration of our operations;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance of any new offices;
- Demand for our products and services;
- Projections about loan premiums or discounts and about the amount of intangible assets, as well as related tax entries and amortization of recorded amounts;
- Future provisions for loan losses, changes in nonperforming assets, impairment of investments and our allowance for loan losses;
- Projections about future levels of loan originations or loan repayments;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements, including potential restrictions as a de novo institution and the requirements that become applicable to us when our total consolidated assets reach $50 billion;
- Projections regarding increased compliance costs, including the impact on our core efficiency ratio, in response to enhanced regulatory requirements, including those requirements that become applicable to us when our total consolidated assets reach $50 billion;

- The phase-in of the final capital rules regarding the Basel Committee's "Basel III" December 2010 framework and changes to risk-weighted assets;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital;
- Our ability to identify and achieve cost savings and improve efficiencies to reduce our operating expenses that are unrelated to regulatory compliance;
- The impact of new accounting standards;
- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual Report. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Item 1. Business.

General

Founded in 1985, we are a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. We specialize in providing personalized, relationship-based services, including private banking, private business banking, real estate lending and wealth management services, including trust and custody services, to clients in selected metropolitan areas in the United States. As of December 31, 2014, we had total assets of $48.4 billion, total deposits of $37.1 billion, total equity of $4.8 billion and wealth management assets of $53.4 billion.

As of December 31, 2014, we provided our services through 73 offices, of which 68 are Preferred Banking licensed deposit-taking offices primarily in the following areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland (Oregon), Boston, Palm Beach (Florida), Greenwich and New York City. We have 5 additional offices that offer exclusively lending, wealth management or trust services. Approximately 66% of our loans outstanding are in California as of December 31, 2014, and we have been continuously headquartered in San Francisco since our inception.

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

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

We also offer a broad array of internally managed investment services and, through an open architecture model, access to investments managed by unaffiliated advisors. Our wealth management services include a variety of investment strategies and products, trust and custody services, full service and online brokerage, financial and estate planning, access to alternative investments (private equity, venture capital, hedge and real estate funds), socially responsible investing, insurance and foreign exchange. We offer our wealth management services through First Republic Investment Management, Inc. ("FRIM"). We also offer brokerage services through First Republic Securities Company, LLC ("FRSC"). We provide trust services through First Republic Trust Company, a division of the Bank, and First Republic Trust Company of Delaware LLC ("FRTC Delaware") (collectively, the "Trust Company").

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

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

Our Business Strategy

Our core business principles and service-based culture have successfully guided our efforts over the past 29 years. We believe focusing on these principles will enable us to expand our capabilities for providing value-added services to a targeted high net worth client base and generate steady, long-term growth.

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

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

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

Cross-Sell Products and Services. During 2014, we sold an average of 8 products per new loan client, and we intend to continue to cross-sell products and value-added services to future clients. We believe that our brand name, high quality client service and service culture will continue to enable us to broaden our customer relationships and foster continued growth in the products and services we offer them. We typically attract new loan clients with our mortgage loan products and services, providing an opportunity for our relationship managers to cross-sell other products and services to these clients. In addition, we offer our expertise and targeted service offerings for a variety of small and medium-sized businesses and non-profit organizations. We believe that enhancing our cross-selling capabilities will enable us to generate higher revenues, increase our deposits and diversify our income stream.

Grow Our Wealth Management Business. We view our wealth management business as an opportunity for continued growth in fee income. We intend to continue to expand our wealth management business by hiring additional professionals and using our cross-selling expertise to increase our assets under management. We offer integrated investment advisory, trust, brokerage and foreign exchange services, which are an extension of our banking franchise. We believe that our brand name, superior client service and service culture will enable us to expand this business and diversify our fee income stream. As of December 31, 2014, wealth management assets under management or administration were \$53.4 billion, a 28% increase compared to December 31, 2013.

Grow Core Deposits. Since 1997, when we converted to full-service banking, we have focused on creating and growing a stable, high quality, less expensive core deposit base. Our ability to grow core deposits has enabled us to reduce our reliance on wholesale funding, thereby resulting in a lower cost and more stable funding base. Core deposits totaled \$33.9 billion at December 31, 2014 and represented 91% of total deposits. Our checking and savings deposits have grown at a compounded annual rate of 22% for the past ten years predominantly due to the efforts of our relationship managers, office network, business bankers, Preferred Banking personnel and wealth management professionals. Our Preferred Banking Offices attract and serve individuals and businesses; we believe our service encourages them to build a full deposit relationship with us, as well as loan and wealth management relationships. Our relationship managers have successfully learned how to offer full deposit products to their loan clients and build long-term, deep relationships. Our business banking is a key source of such deposits and, more recently, we have begun to attract deposits from our wealth management clients as well.

Deposits

An important aspect of our franchise is the ability to gather deposits. As of December 31, 2014, we held \$37.1 billion of total deposits. We have grown deposits at a compounded annual growth rate of 17% over the past five years. Based on the most recent publicly available information, as of December 31, 2014, we were the 37th largest banking organization in the United States measured by total deposits. The following table presents our total deposits at the dates indicated:

($ in millions)	Total Deposits
December 31, 2014	$ 37,131
December 31, 2013	$ 32,083
December 31, 2012	$ 27,088
December 31, 2011	$ 22,459
December 31, 2010	$ 19,236
December 31, 2009	$ 17,182
5 year compounded annual growth rate	17%

As of December 31, 2014, our deposit base consisted of \$21.4 billion, or 58%, in checking deposits, \$12.0 billion, or 32%, in money market checking, savings and passbook deposits, and \$3.8 billion, or 10%, in certificates of deposit (“CDs”).

Our deposit base reflects our strategy of cross-selling deposits to loan clients, businesses and non-profit organizations through three primary channels: (1) Preferred Banking Offices (or branches), which are our retail locations that gather deposits and service all of our clients; (2) deposits placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; and (3) deposits swept from brokerage accounts. As of December 31, 2014, we held $13.1 billion of deposits associated with our Preferred Banking Offices and $21.3 billion of deposits associated with our Preferred Banking activities. In addition, we had deposits generated through our sweep programs totaling $2.2 billion at December 31, 2014.

Our Preferred Banking Offices have been a strong source of deposit growth in both established and new locations. Our Preferred Banking Offices are typically located in dense urban areas or supporting suburban areas. Of our existing offices, over one-third had total deposits over $200 million at December 31, 2014. Overall, deposits in our Preferred Banking Offices grew 18% during 2014. Preferred Banking Offices that have been open for more than two years had average deposit balances of $217 million, representing a 10% increase in 2014. This deposit growth has resulted from deepening existing client relationships, client referrals, our general marketing initiatives, the cross-selling of products and the service skills of individual employees. During 2014, deposit growth has been primarily in personal and business checking accounts.

Our Preferred Banking business is also a substantial source of deposits. We have 9 Preferred Banking hub centers located in our key markets with specialized personnel that primarily support the clients of our relationship managers, business bankers and wealth management professionals. Deposits associated with our Preferred Banking channel have grown at a compounded annual growth rate of 22% in the last five years.

Our deposit base is also well-diversified geographically and by client type. As of December 31, 2014, 45% of our total deposits came from Northern California, 21% from New York, 14% from Southern California, 10% from Boston, 1% from other regions and 9% from wealth management. As of December 31, 2014, 53% of our total deposits came from consumer clients, compared to 55% at December 31, 2013. As of December 31, 2014, 47% of our total deposits came from business and non-profit clients, compared to 45% at December 31, 2013.

Lending Activities

Products

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

Our strategy includes lending to borrowers who are successful professionals, business executives or entrepreneurs and who are buying or refinancing homes in metropolitan communities, thereby creating the opportunity to cross-sell other products and services. In 2014, our average product penetration for each new loan client was 8 products.

Single Family Residential. As of December 31, 2014, the unpaid principal balance of single family real estate secured loans, including loans held for sale, represented $20.8 billion, or 54%, of our loan portfolio. As of December 31, 2014, these loans had a weighted average loan-to-value ratio ("LTV") at origination of approximately 59%. Many of our borrowers have high liquidity and substantial net worth. Additionally, we offer specific loan programs for first-time homebuyers and borrowers with low to moderate incomes. Our single family loans are secured by single family detached homes, condominiums, cooperative apartments and two-to-four unit properties. Due to our larger than average loan size ($1.1 million based on outstanding loans at December 31, 2014), the number of single family loans originated by us is relatively small (approximately 8,000 for the year ended December 31, 2014), allowing our relationship managers and the executive loan approval team to carefully underwrite and provide high quality service for each loan. Repeat clients or their direct referrals are the most important source of our loan originations.

Home Equity Lines of Credit (“HELOCs”). We offer HELOCs consisting of loans secured by first or second deeds of trust on primarily owner-occupied primary residences. The majority of these lines are in a secured position behind a first mortgage originated by us or in a first-lien position. As of December 31, 2014, the unpaid principal balance of HELOCs was $2.2 billion, or 6% of our total loan portfolio, and the unused remaining balance was $3.0 billion. As of December 31, 2014, approximately 36% of HELOCs are in first lien position, and approximately 44% of HELOCs are in second lien position behind a first residential mortgage originated by us, including loans subsequently sold to investors. As of December 31, 2014, the average commitment size of HELOCs was approximately $537,000, and the weighted average combined loan-to-value ratio including the first residential mortgage, if any, at origination was approximately 55%. Generally, these loans bear interest rates that vary with the prime rate. These lines have a 25-year maturity with interest-only payments for the first 10 years and are fully amortizing over the last 15 years.

Multifamily. As of December 31, 2014, the unpaid principal balance of loans secured by multifamily properties totaled $4.7 billion, or 12% of our total loan portfolio. The loans are predominantly for established buildings in the urban neighborhoods of our markets. The buildings securing our multifamily loans are, generally, seasoned operating properties with proven occupancy, rental rates and expense levels. The neighborhoods tend to be densely populated; the properties are close to employment opportunities; and rent levels are appropriate for the target occupants. Typically, the borrowers are property owners who are experienced at managing these properties. We typically have recourse directly against the borrower on these loans and receive a personal guaranty from the borrower. As of December 31, 2014, the average multifamily mortgage loan commitment size was approximately $2.1 million, and the weighted average LTV at origination was approximately 57%.

Commercial Real Estate. The total unpaid principal balance of commercial real estate loans on December 31, 2014 was $3.8 billion, or 10% of our loan portfolio. Since 1986, we have originated commercial real estate loans, primarily to existing clients. We typically have recourse directly against the borrower on these loans and receive a personal guaranty from the borrower. We are primarily an urban lender. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as office buildings, smaller shopping centers, owner-user office/warehouses, residential hotels, motels, mixed-use residential/commercial and retail properties. At the time of loan closing, the properties are generally completed and occupied. As of December 31, 2014, the average commercial real estate loan commitment size was approximately $2.6 million, and the weighted average LTV at origination was approximately 52%.

Commercial Business. As of December 31, 2014, the unpaid principal balance of business loans was $4.9 billion, or 13%, of total loans outstanding, and we had undisbursed commitments of $3.9 billion. The business loan portfolio is comprised primarily of capital call lines to private equity and venture capital funds, loans to independent schools and other non-profit organizations, operating lines of credit to professionals and professional service firms and term loans to enable business clients to acquire capital equipment.

Since 2004, we have originated Eagle One loans, which are smaller lines of credit to businesses and consumers, generally in amounts of up to $250,000. These Eagle One loans are made to meet the capital needs of small businesses and investment needs of individuals. Such loans are either revolving lines of credit or generally 36-month term loans and are adjustable based on the prime rate and are guaranteed by the customer personally. As of December 31, 2014, we had outstanding Eagle One loans and lines of credit of $47.3 million and had undisbursed commitments of $80.3 million.

Construction. Our construction loan portfolio includes loans to individual clients for the construction and ownership of single family homes in our California and New York markets and, to a lesser extent, to construct other types of properties. These loans are typically disbursed as construction progresses, carry interest rates that vary with the prime rate and can be converted into a permanent mortgage loan once the property is occupied. As of December 31, 2014, the unpaid principal balance of construction loans was $882.1 million, or 2% of total loans outstanding. We had undisbursed commitments of $831.1 million related to our construction loan portfolio.

As of December 31, 2014, the average construction loan commitment size was approximately $3.5 million, and the weighted average LTV at origination was approximately 56%.

Other Secured. The unpaid principal balance of such loans was $436.9 million, or 1% of total loans outstanding as of December 31, 2014. We had undisbursed commitments of $482.5 million related to other secured loans. These loans include Eagle Professional loans, which offer individuals an ability to borrow for capital and partnership requirements. As of December 31, 2014, we had outstanding Eagle Professional loans of $317.9 million and had undisbursed commitments of $334.5 million.

Stock Secured. As of December 31, 2014, the unpaid principal balance of stock secured loans was $285.2 million, or 0.7% of total loans outstanding. There were additional undisbursed commitments of $316.3 million related to stock secured loans.

Unsecured. Since 1997, we have originated unsecured loans and lines of credit primarily to meet the non-mortgage needs of our existing clients. Such loans generally have a shorter term to maturity, are adjustable with the prime rate or the London Interbank Offered Rate ("LIBOR") and are subject to annual or more frequent review. As of December 31, 2014, the unpaid principal balance of unsecured loans and lines of credit was $231.6 million, or 0.6% of total loans outstanding, and had undisbursed commitments of $347.2 million. Included in these balances were Eagle loans made to consumers, with outstanding balances of $76.9 million and undisbursed commitments of $97.8 million.

Underwriting

We have developed disciplined underwriting standards that have remained consistent through varying business cycles. We seek to diversify our loans among market areas, loan types and industries. Our underwriting standards include a matrix of approval requirements that vary depending on the size and type of loan and our aggregate exposure to the borrower. The underwriting process is intended to assess the prospective borrower's credit standing, the ability to repay and the value and adequacy of any collateral. To assess the borrower's ability to repay, we analyze the borrower's cash flow, liquidity, credit standing, employment history and overall financial condition. We evaluate our borrowers who choose adjustable-rate loans at a rate that exceeds the initial start rate. This allows us to make a determination as to whether the borrower is able to make higher loan payments in the event that interest rates increase subsequent to origination. We do not originate loans with "teaser" rates. We do not originate single family loans with the characteristics typically described as "subprime" or "high cost," such as loans made to borrowers with little or no cash reserves and poor or limited credit using limited income documentation. Over the past two years, the home loans originated by us had a weighted average credit score of 762. In addition, many of our borrowers have high liquidity and substantial net worth. We underwrite home loans using full documentation.

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

	Median
Loan Size	$ 711,000
LTV	61%
Liquidity	$ 595,000
Net Worth	$ 2.9 million
Credit Score	773

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience. Since our inception in 1985, we have originated $79.1 billion of single family residential loans (including HELOCs) and have experienced cumulative net loan losses of only $62.0 million, or 8 basis points, in 29 years (including losses on loans sold and estimated charge-offs on loans retained by BANA prior to our re-establishment as an independent institution).

Our loan charge-off experience on all loan types for the last ten years (as reported in our financial statements) is presented in the following table. From 2009 through 2014, net loan losses include charge-offs against the allowance for loan losses and charge-offs recorded as a reduction in unaccreted discounts established in purchase accounting.

	Net Charge-Offs (Recoveries)	
($ in millions)	**Ratio[1]**	**Amount**
Year ended:		
December 31, 2014	0.01%	$ 2.2
December 31, 2013	0.05%	$ 14.2
December 31, 2012	0.01%	$ 1.9
December 31, 2011	0.03%	$ 5.2
December 31, 2010	0.09%	$ 16.3
December 31, 2009	0.48%	$ 84.1
December 26, 2008	0.08%	$ 11.9
December 28, 2007	0.01%	$ 0.9
December 31, 2006	(0.06)%	$ (4.4)
December 31, 2005	(0.02)%	$ (0.9)

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

Our charge-off experience was less than 0.5% of average loans at our highest in 2009, and net charge-offs have averaged 7 basis points of average loans outstanding, per year, over the past decade.

Credit Risk Management

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

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

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

Mortgage Banking Activities

Secondary Loan Sales

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

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

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

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

In 2014, we sold $4.4 billion of loans, compared to $2.7 billion in 2013 and $2.4 billion in 2012. The level of loans sales was higher in 2014 due to strong demand in the secondary market. Loan sales are used in the ordinary course of business to help provide a full range of lending options for our clients, while also managing asset growth and interest rate risk.

Loan Servicing

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

Our mortgage loan servicing portfolio was $9.6 billion as of December 31, 2014. Approximately 69% of total loans serviced as of December 31, 2014 had outstanding balances greater than $625,500, which is the maximum conforming loan amount for a single family loan. Of the total loans serviced as of December 31, 2014, approximately 92% were fixed or hybrid ARMs with a weighted average contractual rate of 3.57%; adjustable-rate loans had a weighted average contractual rate of 2.14%. When we collect monthly mortgage payments, we retain the servicing fees, ranging generally from 0.25% to 0.375% per annum on the declining principal balances of the loans. The weighted average servicing fee collected was 0.26% for 2014. Our servicing portfolio is reduced by normal amortization and prepayment or liquidation of outstanding loans. Many of the existing servicing programs provide for principal and interest payments to be remitted by us, as servicer, to the investor, whether or not received from the borrower. Upon ultimate collection, including the sale of foreclosed property, we are entitled to recover any such advances plus late charges before paying the investor. We believe our collection and foreclosure procedures comply with all applicable laws and regulations. We currently have a relatively low number of foreclosures and have not needed to suspend any of our foreclosure activities.

Private Wealth Management Activities

A primary focus of our general business strategy has been to expand our capabilities for providing value-added services to a targeted higher net worth client base. We believe these clients have been satisfied with our mortgage loan origination products and services and deposit services, providing an opportunity for our relationship managers to introduce or cross-sell other products and services. Wealth management assets under management or administration were $53.4 billion at December 31, 2014.

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through our subsidiary, FRIM. When appropriate and desired by a client, our advisors use outside managers through an open architecture platform. Assets under management were $27.5 billion as of December 31, 2014.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ investment consultants to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. These investment consultants can also execute transactions for a full array of longer-term equity and fixed income securities. In addition, we offer online services for self-directed brokerage accounts for those clients who choose to transact in this manner. Our online brokerage services allow clients to place orders for equities, mutual funds and options. As of December 31, 2014, approximately $19.7 billion of these assets were held in brokerage or other managed accounts. All brokerage transactions we conduct are cleared by Pershing LLC, a Bank of New York Mellon Company.

Trust Company. First Republic Trust Company, a division of the Bank, operates in California, Oregon, Washington, New York, Massachusetts and Florida and specializes in personal trust activities. FRTC Delaware, which operates in Delaware, opened for business in the first quarter of 2012. First Republic Trust Company and FRTC Delaware draw new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. The Trust Company has gathered $6.2 billion of assets under custody or administration as of December 31, 2014.

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

Information Technology Systems

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

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

Competition

We face strong competition in gathering deposits, making real estate secured loans and obtaining client assets for management by investment advisory, trust and brokerage operations. We compete for deposits and loans by advertising, by offering competitive interest rates and by seeking to provide a higher level of personal service than is generally offered by larger competitors. We generally do not have a dominant market share of the total deposit gathering or lending activities in the areas in which we conduct operations.

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

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

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

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

Employees

As of December 31, 2014, we had 2,506 full-time equivalent employees, including temporary employees and independent contractors. Our management believes that its relations with employees are satisfactory. We are not a party to any collective bargaining agreements.

Supervision and Regulation

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

Overview

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

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

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various banking regulatory agencies. The Dodd-Frank Act, which was enacted in July 2010, significantly restructured the financial regulatory regime in the United States. Provisions of the Dodd-Frank Act that may have a material effect on our business include, among others, repealing the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on corporate transaction and other accounts, and imposing additional underwriting standards on mortgages and restricting so-called "high-cost mortgages," including certain mortgages with prepayment penalties. Many aspects of the Dodd-Frank Act are the subject of rulemakings. These existing and future rulemakings have resulted, and may continue to result, in a significant cost of compliance.

Provisions of the Dodd-Frank Act and increased expectations of our banking regulators more generally that may have a material effect on our results of operations include, among others, the imposition of additional underwriting standards on mortgages and increased expenses due to heightened regulatory requirements and standards imposed on larger institutions, including: capital and liquidity stress testing, internal audit standards, enterprise risk management standards, and enhanced compliance and standards for internal controls relating to anti-money laundering ("AML"), the Bank Secrecy Act ("BSA") and other matters. In addition, financial institutions with at least $50 billion in total consolidated banking assets, based on the average of such assets as of the end of each of the previous four quarters, are generally subject to enhanced supervision, both formally and informally, including heightened standards relating to capital stress testing, liquidity stress testing and the establishment and maintenance of a formal resolution plan and an "enhanced" Volcker Rule compliance program.

California Law

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

Under California law, there is no interest rate limitation on loans. However, for certain types of secured loans, California law imposes minimum collateral requirements. There are certain term and amortization restrictions on loans secured by real property. We are required to invest our funds in accordance with limitations under California law and may only make investments that are permissible investments for banks, subject to any limitations under any other applicable law. Unsecured loans to one person generally may not exceed 15% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures, and both secured and unsecured loans to one person (excluding certain secured lending and letters of credit) at any given time generally may not exceed 25% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures. Except for limitations on the amount of loans to a single borrower, loans secured by real or personal property may be made to any person without regard to the location or nature of the collateral.

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

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

In 2010, the DBO granted us a charter to conduct a commercial banking and trust business as a California-chartered institution, and the FDIC approved our applications for deposit insurance, trust powers and consent to purchase the assets and liabilities of the First Republic division of BANA with respect to that new charter. This "de novo" banking institution opened for business on July 1, 2010. At the current time, our de novo banking institution status solely remains in effect with respect to the FDIC, not the DBO. Many of the conditions to these regulatory approvals are still applicable as of December 31, 2014, including:

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

Capital Requirements

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

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

Under the capital rules in effect prior to January 1, 2015, a banking organization's risk-based capital ratios are obtained by dividing its qualifying capital by its total risk-weighted assets. The regulators measured risk-weighted assets against both total qualifying capital (the sum of Tier 1 capital and limited amounts of Tier 2 capital) and Tier 1 capital. Under these prior capital rules, Tier 1 capital included common shareholders' equity capital, qualifying noncumulative perpetual preferred stock and limited amounts of minority interests in certain subsidiaries, less goodwill and certain other intangible assets and other adjustments. Net unrealized losses on available-for-sale equity securities with readily determinable fair value were deducted in determining Tier 1 capital. Under these rules, for Tier 1 capital purposes, deferred tax assets ("DTAs") were limited to the lesser of: (i) the amount that the Bank expects to realize within one year of the calendar quarter-end date (based on its projected future taxable income), or (ii) 10% of the amount of its Tier 1 capital. However, deferred tax assets which could be realized from taxes paid in prior carryback years could be excluded from the calculation. Tier 2 capital could include a limited amount of the allowance for loan losses, cumulative perpetual preferred stock, long-term preferred stock and other types of preferred stock not qualifying as Tier 1 capital, term subordinated debt and certain other instruments with some characteristics of equity, and net unrealized holding gains on equity securities subject to certain limits. The elements included in Tier 2 capital were subject to certain other requirements and limitations of the federal banking agencies.

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

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

New Capital Rules

In July 2013, the FDIC, our primary federal regulator, approved a final rule (the "New Capital Rules") that was issued jointly by the federal banking agencies, which establishes a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee's December 2010 final capital framework referred to as Basel III for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including us, compared to the current U.S. risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel I capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules. The New Capital Rules became effective for us as of 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, which are instruments treated as Tier 1 instruments under the prior capital rules that meet certain revised requirements; (iii) mandate that most deductions or 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 currently applicable to us as of January 1, 2015:

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

The New Capital Rules also introduce a new "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). Thus, when fully phased-in on January 1, 2019, the Bank will be required to maintain this additional capital conservation buffer of 2.5% of CET1, resulting in the following minimum capital ratios:

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

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

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

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

Additional aspects of the fully phased-in New Capital Rules that are most relevant to us include:

- consistent with the Basel I 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 (set at 0% under the Basel I risk-based capital rules);
- assigning a 150% risk weight to all exposures that are nonaccrual or 90 days or more past due (set at 100% under the Basel I risk-based capital rules), except for those secured by single family residential properties, which will be assigned a 100% risk weight, consistent with the Basel I 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 (set at 100% under the Basel I risk-based capital rules), and
- the option to use a formula-based approach referred to as the simplified supervisory formula approach to determine the risk weight of various securitization tranches in addition to the current "gross-up" method.

Based on our current interpretation of the New Capital Rules, we believe that the Bank would meet all capital requirements under the New Capital Rules on a fully phased-in basis as if such requirements were effective as of December 31, 2014. Management estimates that our ratio of CET1 to risk-weighted assets (under the fully phased-in New Capital Rules) would be approximately 10.6% at December 31, 2014, reflecting our good faith estimate of the computation of CET1 and our risk-weighted assets under our understanding of the methodologies in the New Capital Rules.

The New Capital Rules do not affect the FDIC's requirement that we maintain a Tier 1 leverage ratio of at least 8%, which is a higher ratio than that required by the New Capital Rules, for the first seven years following our re-establishment as an independent bank and de novo institution, or until June 30, 2017.

Prompt Corrective Action and Other Enforcement Mechanisms

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

The relevant capital measures, which reflect changes under the New Capital Rules that became effective on January 1, 2015, are the total risk-based capital ratio, the CET1 capital ratio (a new ratio requirement under the New Capital Rules), the Tier 1 capital ratio and the Tier 1 leverage ratio. Under these new prompt corrective action provisions of the FDIA now in effect, an insured depository institution generally will be classified in the applicable category based on the capital measures indicated:

"Well-capitalized"

Tier 1 leverage ratio of 5%,
CET1 capital ratio of 6.5%,
Tier 1 risk-based capital ratio of 8% (6% prior to January 1, 2015),
Total risk-based capital ratio of 10%, and
Not subject to a written agreement, order, capital directive or prompt corrective action directive requiring a specific capital level.

"Adequately capitalized"

Tier 1 leverage ratio of 4%,
CET1 capital ratio of 4.5%,
Tier 1 risk-based capital ratio of 6% (4% prior to January 1, 2015), and
Total risk-based capital ratio of 8%.

"Undercapitalized"

Tier 1 leverage ratio less than 4%,
CET1 capital ratio of less than 4.5%,
Tier 1 risk-based capital ratio less than 6% (4% prior to January 1, 2015), or
Total risk-based capital ratio of less than 8%.

"Significantly undercapitalized"

Tier 1 leverage ratio less than 3%,
CET1 capital ratio of less than 3%,
Tier 1 risk-based capital ratio less than 4% (3% prior to January 1, 2015), or
Total risk-based capital ratio of less than 6%.

"Critically undercapitalized"

Tangible equity to total assets of 2% or less.

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

We believe that, as of December 31, 2014, the Bank was "well-capitalized" under both the prompt corrective action requirements prior to January 1, 2015 and those now in effect, based on the aforementioned ratios.

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

Annual Capital Stress Tests

In October 2012, as required by Section 165(i) of the Dodd-Frank Act, the FDIC issued final rules regarding bank-run stress testing. The rules require certain financial companies with average total consolidated assets greater than $10 billion, including FDIC-insured state non-member banks such as us, to conduct an annual company-run stress test of capital, consolidated earnings and losses under one base scenario and at least two stress scenarios provided by the appropriate federal regulatory agency, which is, in our case, the FDIC. Implementation of the rules for covered institutions with total consolidated assets between $10 billion and $50 billion, which include us, began in 2013. The company-run stress tests are conducted using data as of September 30 of the relevant fiscal year and the scenarios selected by the federal banking agencies. Stress test results must be reported to the FDIC and the Board of Governors of the Federal Reserve System by the following March 31. Beginning in June 2015 and each June thereafter, we will be required to disclose publicly our summary stress test results under the severely adverse scenario for stress tests for the previous year. Banks with over $50 billion in total consolidated assets must report their results to the agencies by the following January 5 and publicly disclose the summary results in the following March.

New Liquidity Rules

Historically, the regulation and monitoring of bank holding company and bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III liquidity framework requires bank holding companies and banks to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management or supervisory purposes, going forward would be required explicitly by regulation. One test from the Basel III liquidity framework, referred to as the liquidity coverage ratio ("LCR"), is designed to ensure that a banking entity maintains an adequate level of unencumbered high-quality liquid assets ("HQLA") equal to the entity's expected net cash outflow for a 30-day time horizon under a liquidity stress scenario. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements have encouraged and will likely continue to encourage banking entities to increase their holdings of U.S. Treasury and agency securities and other sovereign debt as a component of assets and may increase the use of long-term debt as a funding source.

On September 3, 2014, the federal banking agencies finalized a rule (the "LCR Rule") that imposes standardized minimum liquidity requirements for large, internationally active banking organizations (those with at least $250 billion in total assets or at least $10 billion in on-balance sheet foreign exposure) as well as modified standardized minimum liquidity requirements for bank holding companies and savings and loan holding companies that have at least $50 billion in total assets but are not internationally active banking organizations. For bank holding companies and savings and loan holding companies with at least $50 billion in total assets that are not internationally active banking organizations, the LCR Rule requires that the liquidity coverage ratio be regularly calculated and also requires that these companies hold a significant amount of certain HQLA.

Because we are a California-chartered, non-member bank without a bank holding company, we are not subject to the LCR Rule and will not become technically subject to the LCR Rule upon obtaining $50 billion in total consolidated assets. Nevertheless, we are committed to enhancing our on-balance sheet liquidity and have increased and will continue to increase our portfolio of HQLA.

The New Capital Rules and the LCR rule do not address the NSFR requirement called for by the final Basel III framework. In October 2014, the Basel Committee published the final NSFR rule for internationally active banking organizations and expect such financial institutions to implement the rule by January 1, 2018. The federal banking agencies have not addressed the NSFR at this time and have not yet determined to what extent they may apply to U.S. banks such as First Republic that are not large, internationally active banking organizations or that do not have holding companies.

Safety and Soundness Standards

Guidelines adopted by the federal banking agencies pursuant to the FDIA establish general safety and soundness standards for depository institutions related to internal controls, loan underwriting and documentation, and asset growth. Among other things, the FDIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, and limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest. These standards have not limited our operations in any material way to date.

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

Premiums for Deposit Insurance and Assessments

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

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

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

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

Consumer Financial Protection Bureau Supervision

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

The CFPB has finalized a number of significant rules, which impact nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. Among other things, the rules adopted by the CFPB require banks to: (i) develop and implement procedures to ensure compliance with a "reasonable ability to repay" test (as discussed below); (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; and (iv) comply with new disclosure requirements and standards for appraisals and certain financial products.

Ability-to-Repay Requirement

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

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

Incentive Compensation

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

The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as us, having at least $1 billion in total assets that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies proposed such regulations in April 2011. Although final rules have not been adopted as of February 2015, officials from the Federal Reserve have recently indicated that the federal banking agencies are in the process of preparing for public comment a new rule on incentive compensation. If these or other regulations are adopted in a form similar to that initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

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

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

Community Reinvestment Act and Fair Lending

We are subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations. We are also subject to the CRA. The CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate- income neighborhoods. In addition to substantive penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities. Federal regulators are required to provide a written examination report of an institution's CRA performance using a four-tiered descriptive rating system. We received a rating of "satisfactory" in our most recent CRA examination. These ratings are available to the public.

Permissible Financial Activities

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

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

Financial Privacy

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

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

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

A major focus of governmental policy on financial institutions is combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must also take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions.

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

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

Restrictions on Dividends and Other Distributions

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

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

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

It is anticipated that our capital ratios reflected in the stress test calculations will be an important factor considered by the FDIC in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practice. For additional discussion of stress testing requirements, refer to "—Annual Capital Stress Tests" above.

Change in Bank Control

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

Other Regulatory Matters

Insured depository institutions with the amount of total assets held by us must undergo a full-scope, on-site examination by their primary federal banking agency at least once every 12 months. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate federal banking agency against each institution or affiliate, as it deems necessary or appropriate. As a result of our current asset size, our primary regulator, the FDIC, now utilizes an exam team that remains on site throughout the year, as is consistent with their large bank supervision practices.

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

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

Future Legislation

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

Available Information

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

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

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

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

Item 1A. Risk Factors.

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

Risks Related to Our Business

We face significant competition to attract and retain banking customers.

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

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

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

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

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

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

A significant number of our properties, and real properties currently securing loans made by us and our borrowers in general, are located in California. California has had and will continue to have major earthquakes in many areas, including the San Francisco Bay Area, where a significant portion of the collateral and assets of our borrowers are concentrated, and the Southern California coastal regions. At December 31, 2014, approximately 56% of our loans outstanding were secured by real estate located in California. California is also prone to brush and forest fires and other natural disasters. A number of these properties are uninsured from such occurrences. Borrowers are not required to and may not insure for these hazards other than fire damage. In addition to possibly sustaining damage to our premises and disruption of our operations, if there is a major earthquake, flood, fire or other natural disaster in California or elsewhere in our markets, we will face the risk that many of our borrowers may experience uninsured property losses or sustained job interruption or loss that may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood, fire or other natural disaster in our California markets or our other markets could materially adversely affect our business, results of operations or financial condition.

We are subject to interest rate risk.

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

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

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

As of December 31, 2014, we have remaining loan discounts of approximately $153 million recorded on loans acquired in connection with our purchase from BANA of certain assets and assumption of certain liabilities related to its First Republic division (the "Transaction"). The majority of these loan discounts are accretable to interest income over the contractual lives of each specific loan. The amount of accretion of loan discounts recorded in any given period is primarily driven by the level of repayments on the loan portfolio acquired in the Transaction. The extent to which loan repayments increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time. A decrease in the accretion of loan discounts resulting from an increase in interest rates could therefore adversely affect our net interest income, net income or results of operations.

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

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

Prolonged lower interest rates may adversely affect our net income.

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

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

Our operations are located primarily in Northern and Southern California and the New York City and Boston metropolitan areas. Local economic conditions in these areas can have a significant impact on the demand for our products and services, our loans and wealth management business, the ability of borrowers to repay these loans, and the value of the collateral securing these loans. Adverse changes in economic conditions in these markets may negatively affect our business, results of operations or financial condition. Our loan portfolio, in particular, is concentrated in California in general and the San Francisco Bay Area in particular. As of December 31, 2014, approximately 56% of our loans outstanding were secured by real estate located in California and approximately 40% of our loans outstanding were secured by real estate in and around the San Francisco Bay Area. Declines in values in the California real estate market could have an adverse impact on some of our borrowers and on the value of the collateral securing many of our loans, which in turn could adversely affect our currently performing loans, leading to future delinquencies or defaults and increases in our provision for loan losses.

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

Our financial performance generally, and in particular, the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer and whose success we rely on to drive our future growth, is highly dependent on the business environment in the markets in which we operate and in the United States as a whole.

Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation, monetary supply, fluctuations in the debt and equity capital markets, and the strength of the domestic economy and the local economies in the markets in which we operate. Unfavorable market conditions can result in a deterioration of the credit quality of borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, adverse asset values and a reduction in assets under management. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation or interest rates, high unemployment, natural disasters, state or local government insolvency, or a combination of these or other factors.

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

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

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

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

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

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

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

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

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

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

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

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

In addition, following periods of volatile market conditions, investment management clients may seek legal remedies for investment performance. We may become involved in lawsuits against our broker-dealer and investment advisory subsidiary arising from clients' investment losses. These types of lawsuits may result in significant legal expenses or other costs that may not be covered by insurance. We may also face reputational risks with regard to such suits which could impair our ability to effectively compete to attract and retain customers. As a result, any such current or future lawsuits could adversely affect our business, results of operations or financial condition.

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

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

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

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

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

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

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

As of December 31, 2014, we had $12.1 billion of noninterest-bearing business checking accounts and $941.0 million of interest-bearing business checking accounts. The prohibition on depository institutions from paying interest on demand deposits, such as checking accounts, was repealed by the Dodd-Frank Act, effective in July 2011. We then began offering interest-bearing corporate checking accounts. Current interest rates for this product are very low given the current market conditions and the impact of the repeal so far has not been significant to us. However, we do not know what market rates will eventually be, and we therefore cannot estimate the long-term impact of the repeal at this time to our interest expense on deposits. If we need to offer higher interest on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

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

In August 2011, Standard & Poor's lowered from AAA to AA+ its long-term sovereign credit rating on the United States of America, its long-term issuer credit rating on the ten Federal Home Loan Banks that had not previously been downgraded and its senior issue ratings on Fannie Mae and Freddie Mac. Standard & Poor's and other ratings agencies have suggested that further downgrades of U.S. credit ratings could occur in the near future. Prices of U.S. Treasury securities and debt securities issued by Fannie Mae, Freddie Mac and other government-sponsored or government-related entities may be adversely affected by past or future credit rating downgrades. Further, the Federal Home Loan Banks, Fannie Mae and Freddie Mac may face higher costs of capital that could reduce their lending and secondary mortgage market activities, respectively, or increase the cost of any future advances which we may borrow from the Federal Home Loan Bank of San Francisco. As a member of the Federal Home Loan Bank of San Francisco, we are required to maintain ownership at least equal to 4.7% of outstanding advances. The investments we currently own that may be impacted by such a downgrade totaled $3.3 billion at December 31, 2014, or approximately 7% of our total assets. These investments consisted of $3.1 billion of U.S. Treasury and other U.S. Government agency securities, U.S. Government-sponsored agency securities, and mortgage-backed securities ("MBS") issued by government agencies or collateralized by MBS issued by government agencies and $247.9 million of Federal Home Loan Bank stock. See Note 2 to "Item 8. Financial Statements and Supplementary Data" for information on our investment securities. Negative credit rating actions with respect to U.S. government obligations may have unpredictable impacts on financial markets and economic conditions in the United States and abroad, which could in turn have a material adverse effect on our business, results of operations, financial condition or liquidity.

We may not be able to manage our growth successfully.

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

We may not be able to successfully manage our non-regulatory related expenditures.

During the third quarter of 2014, we formulated and began executing an enterprise-wide cost containment program focused on non-regulatory related expenditures, including personnel costs. As a result of this program, we currently anticipate that a meaningful portion of the increased regulatory and infrastructure expenses described herein will be offset by these cost containment efforts.

We currently anticipate that our core efficiency ratio through the end of 2015 on a quarterly basis is expected to range from 57% to 61% (excluding the seasonal elevated payroll tax impact in the first quarter of 2015). We expect that our core efficiency ratio will continue to remain elevated during 2015 as we continue to invest in and enhance our regulatory and compliance infrastructure. We currently anticipate that our quarterly core efficiency ratio should begin to improve in late 2015 or early 2016. However, if we do not successfully manage our non-regulatory related expenditures, our core efficiency ratio could remain elevated for a longer period of time, which could adversely affect our results of operations.

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

Over the past five years, our deposits have increased from $17.2 billion as of December 31, 2009 to $37.1 billion as of December 31, 2014. This growth has been driven by several factors, including many investors' desire for safer, more stable investments, such as insured deposits. In addition, a small number of our customers currently control a significant portion of our total deposits, with approximately 1% of our deposit relationships holding approximately 41% of our total deposits as of December 31, 2014. As of December 31, 2014, the median size of such relationships was $6.5 million, with an average relationship age of 6 years. These client relationships are distributed in our core geographic markets as follows: approximately 51% in California, 26% in New York and 10% in Boston. In addition, these relationships consist of approximately 25% in consumer deposits and 75% in business deposits. Most of these accounts do not have significant restrictions on withdrawal, and these customers can generally withdraw some or all of the funds in their accounts with little or no notice.

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

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

As of December 31, 2014, approximately 60% of our loans outstanding are secured by single family residences. As of December 31, 2014, approximately 93% of our residential real estate loans outstanding are ARMs, and 66% of those loans are hybrid ARMs that will adjust within one to ten years in the future. Any increase in prevailing market interest rates may result in increased payments for borrowers who have ARMs. Also, as of December 31, 2014, approximately 86% of our residential real estate loans outstanding are jumbo loans (over $625,500 in size), and approximately 68% are loans with an initial interest-only period of generally ten years. The inability of borrowers to refinance their loans, particularly while experiencing increases in the monthly payment on their loan amounts, increases the risk that borrowers will become delinquent and ultimately default on their loans and could, consequently, adversely affect our business, results of operations or financial condition.

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

As of December 31, 2014, commercial real estate loans outstanding represented 10% of our loan portfolio and non-single family construction loans represented 1% of our loan portfolio. The valuation of these loans, and the valuation of the underlying commercial real estate or undeveloped land, is more complicated than the valuation of single family mortgage loans. Commercial real estate loans and loans secured by undeveloped land also tend to have shorter maturities than residential mortgage loans and usually are not fully amortizing, meaning that they may have a significant principal balance or "balloon" payments due on maturity. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than noncommercial properties and to the corresponding burdens and costs of compliance with environmental laws and regulations. Also, there may be costs and delays involved in enforcing rights of a property owner against commercial tenants in default under the terms of their leases. For example, tenants may seek the protection of bankruptcy laws, which could result in termination of lease contracts.

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

In the case of construction loans, borrowers face the additional risks that construction may take longer or be more expensive than expected, and that when completed, the value of the property, and therefore rents or sale proceeds, will be less than expected. Any of these circumstances could significantly impair borrowers' cash flows and their ability to repay the amounts due under their loans, and, as a result, our business, results of operations or financial condition may be adversely affected.

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

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

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

In the past several years, we have expanded our lending to businesses and have increased the size of individual commercial loans. As of December 31, 2014, commercial loans outstanding were $4.9 billion, or 13% of total loans outstanding, and the undisbursed loan commitments for commercial loans amounted to an additional $3.9 billion. Commercial loans inherently have more risk of loss than real estate secured loans, in part because commercial loans may be larger or more complex to underwrite than mortgages. If a decline in economic conditions or other issues cause difficulties for our business borrowers or we fail to evaluate the credit of the loan accurately when we underwrite the loan, it could result in delinquencies or defaults and a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

Immediately after the completion of the Transaction, we had no allowance for loan losses, as all loans purchased as of July 1, 2010 were recorded at fair value as a result of the purchase. The fair value discount recorded as a reduction to unpaid principal balance has two components: an accretable discount and a nonaccretable discount. The nonaccretable discount is intended to absorb expected future losses with respect to certain loans considered to be impaired in the acquired loan portfolio, as measured as of July 1, 2010, but may be inadequate to do so. Subsequent decreases to expected principal cash flows on these loans, which may reduce the value of the loans, will result in a charge to the provision for loan losses, causing a decrease in our earnings and an increase in our allowance for loan losses. In addition, if a non-impaired acquired loan experiences credit deterioration, we will be required to provide an allowance at the individual loan level.

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

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

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

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

As of December 31, 2014, we owned $1.4 billion of securities available for sale, which had gross unrealized losses of $1.1 million and $5.2 billion of securities in our held-to-maturity portfolio, which had gross unrealized losses of $1.1 million. We analyze our securities on a quarterly basis to determine if an other-than-temporary impairment has occurred. The process for determining whether impairment is other-than-temporary usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize other-than-temporary impairment in future periods, which could adversely affect our business, results of operations or financial condition.

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

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

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

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

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

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

Adverse changes in our credit ratings or preferred stock ratings could have a material adverse effect on our business, financial condition and liquidity and may increase our funding costs or impair our ability to effectively compete for business and clients.

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

Our credit ratings and preferred stock ratings impact our ability to obtain funding. Reductions in any of our credit ratings or preferred stock ratings could adversely affect our ability to borrow funds and raise capital. Downgrades in our ratings could trigger additional collateral or funding obligations, which may adversely impact our liquidity. Therefore, any negative credit rating actions could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Furthermore, our clients and counterparties may be sensitive to the risks posed by a ratings downgrade and may terminate their relationships with us, may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict whether client relationships or opportunities for future relationships could be adversely affected by clients who choose to do business with a higher-rated institution. The inability to retain clients or to effectively compete for new business may have a material and adverse effect on our business, results of operations or financial condition.

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

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

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

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

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

We must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state bank regulatory approvals. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the ratings and compliance history of all institutions involved, the AML and BSA compliance history of all institutions involved, CRA examination results and the effect of the transaction on financial stability. The process for obtaining required regulatory approvals has become substantially more difficult as a result of the financial crisis, which could affect our future business. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain required regulatory approvals in a timely manner or at all.

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

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

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

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

Our internal control systems could fail to detect certain events.

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

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

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

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

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

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

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

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

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

As of December 31, 2014, we had $265.6 million of goodwill and other intangible assets, including MSRs. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates, a significant and sustained decline in the price of our common stock or the poor performance of an acquired business may require us to take charges in the future related to the impairment of our goodwill and other intangible assets. An increase in the rate at which our borrowers prepay their loans could result in a decline in the value of our MSRs, resulting in a charge for the impairment of those rights. The loss of several of our relationship managers to a competitor may also result in a charge against our goodwill and other intangible assets. If we were to conclude that a future write-down of our goodwill and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our business, results of operations or financial condition.

We are subject to liquidity risk.

We require liquidity to meet our deposit and debt obligations as they come due. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans are concentrated, difficult credit markets or adverse regulatory actions against us. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities on average during 2014 were checking accounts, money market checking and savings deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or sold in the same time frame. Although we have been able to replace maturing deposits and advances historically as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors or those depositors with a high concentration of deposits sought to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

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

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

Risks Related to the Regulatory Oversight of Our Institution

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

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily to protect depositors, the public, the DIF, and the banking system as a whole, not our shareholders. We are subject to the regulation and supervision of the FDIC, the DBO and the CFPB. The banking laws, regulations and policies applicable to us govern matters ranging from the regulation of certain debt obligations, changes in the control of us and the maintenance of adequate capital to the general business operations conducted by us, including permissible types, amounts and terms of loans and investments, the amount of reserves held against deposits, restrictions on dividends, establishment of new offices and the maximum interest rate that may be charged by law. In addition, certain of our subsidiaries are subject to regulation, supervision and examination by other regulatory authorities, including the SEC and FINRA.

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

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

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

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

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

The Dodd-Frank Act may have a significant adverse effect on our operations.

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

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

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

Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Act, may result in increased compliance costs.

As a result of the current regulatory environment and our growth in recent years, we have made and expect to continue to make substantial investments in our regulatory, audit and compliance infrastructure, including additional personnel and initiatives to enhance systems and procedures in numerous areas such as BSA/AML compliance, enterprise risk management, capital stress testing, liquidity stress testing, qualified mortgage standards, resolution planning and other aspects of our enterprise-wide compliance program. As a result of the foregoing, our expenses have increased and will continue to increase in the near term. Our expenses could also be higher than anticipated in the future, which may adversely impact our results of operations.

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

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

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

Increases in FDIC insurance premiums may adversely affect our earnings.

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

We are subject to more stringent capital requirements.

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

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

We may become subject to more stringent liquidity requirements.

On September 3, 2014, the federal banking agencies finalized the LCR Rule, which imposes standardized minimum liquidity requirements for large, internationally active banking organizations (those with at least $250 billion in total assets or at least $10 billion in on-balance sheet foreign exposure) as well as modified standardized minimum liquidity requirements for bank holding companies and savings and loan holding companies that have at least $50 billion in total assets but are not internationally active banking organizations. For bank holding companies and savings and loan holding companies with at least $50 billion in total assets that are not internationally active banking organizations, the LCR Rule requires that the liquidity coverage ratio be regularly calculated and also requires that these companies hold a significant amount of certain HQLA.

Because we are a California-chartered, non-member bank without a bank holding company, we are not subject to the LCR Rule and will not become technically subject to the LCR Rule upon obtaining $50 billion in total assets. Nevertheless, we are committed to enhancing our on-balance sheet liquidity and have increased and will continue to increase our portfolio of HQLA.

It is possible that we may become subject to an LCR requirement or other heightened liquidity requirement in the future if the FDIC or the federal banking agencies apply such a requirement to us as a supervisory matter. As a result, we could be required to increase our holdings of HQLA, such as Federal Reserve balances and U.S. Treasury securities, and increase the use of long-term debt as a funding source. Increasing our holdings of lower-yielding assets and our use of higher-cost liabilities would reduce our net interest income and could limit our loan and deposit growth and our ability to attract and retain new customers, all of which could adversely affect our business, results of operations and financial conditions.

The investment management business is highly regulated.

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

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

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

Risks Related to Our Common Stock

Shares of our common stock are not an insured deposit.

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

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

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

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

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

Securities analysts may not continue coverage of our common stock.

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our management believes that our current and planned facilities are adequate for our current level of operations. Our principal executive offices are at 111 Pine Street, 2nd Floor, San Francisco, California 94111. As of December 31, 2014, we provided our services through 68 Preferred Banking Offices primarily in the following areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland (Oregon), Boston, Palm Beach (Florida), Greenwich and New York City. We have 5 additional offices that offer exclusively lending, wealth management or trust services. All of our properties, except for one Preferred Banking Office, are leased with terms expiring at dates ranging from 2015 to 2030, although most of the leases contain options to extend beyond these dates.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

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

	Share Prices	
	Low	High
2014		
Quarter Ended:		
December 31	$ 44.56	$ 53.07
September 30	$ 45.64	$ 55.85
June 30	$ 49.27	$ 55.50
March 31	$ 47.44	$ 56.18
2013		
Quarter Ended:		
December 31	$ 45.58	$ 52.94
September 30	$ 38.07	$ 47.50
June 30	$ 36.43	$ 40.31
March 31	$ 32.84	$ 38.75

As of February 13, 2015, there were less than 50 shareholders of record, although the Bank believes that its shares are held beneficially by approximately 95,000 shareholders.

Common Stock Dividends

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

	2014	2013
Quarter Ended:		
December 31	$ 0.14	$ 0.12
September 30	$ 0.14	$ 0.12
June 30	$ 0.14	$ 0.12
March 31	$ 0.12	$ —

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

We also paid a cash dividend for the fourth quarter of 2014 of $0.14 per share of common stock on February 12, 2015 to shareholders of record as of January 29, 2015.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2014, regarding the 2010 Omnibus Award Plan and the Employee Stock Purchase Plan under which shares of common stock of First Republic Bank are authorized for issuance:

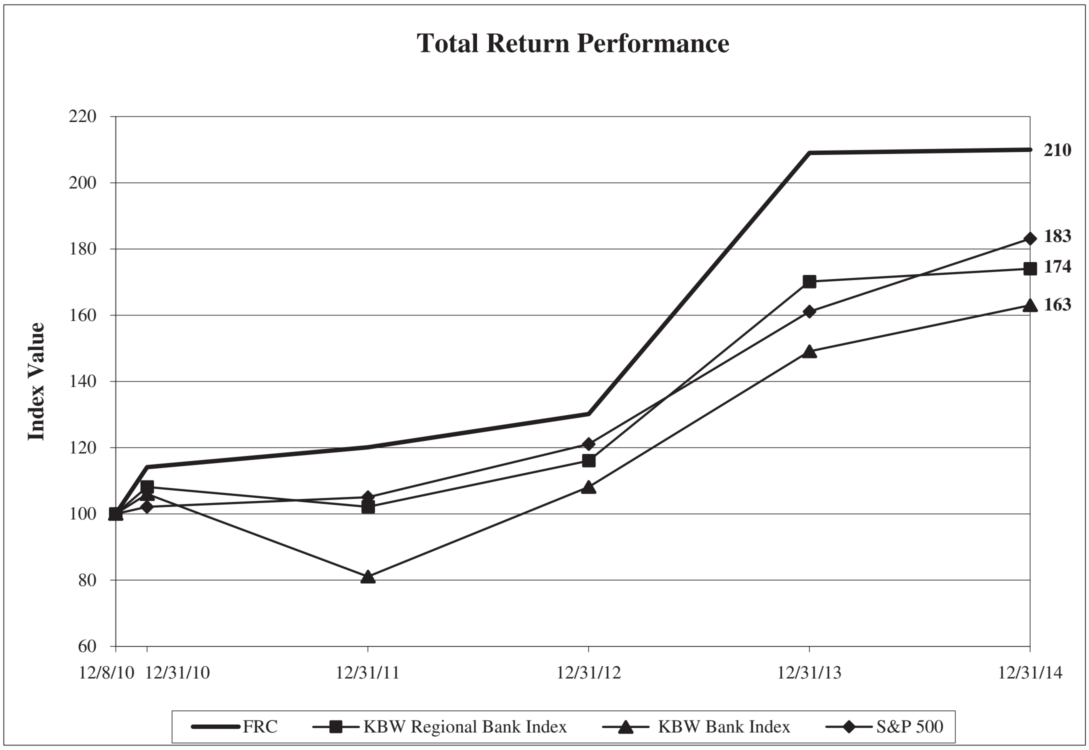
Plan Category	Number of Shares to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	7,756,415	$15.37	2,601,440 [1]
Equity compensation plans not approved by security holders	—	—	—
Total	7,756,415	$15.37	2,601,440

(1) The number of shares remaining available for future issuance consists of 1,754,471 shares reserved for future purchase under the Bank's Employee Stock Purchase Plan and 846,969 shares reserved for future awards under the Bank's 2010 Omnibus Award Plan.

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

Performance Graph

The common stock of First Republic Bank began trading following its initial public offering ("IPO"), which priced on December 8, 2010. The following graph compares, for the period from December 8, 2010 through December 31, 2014, the cumulative shareholder return (change in the stock price plus reinvested dividends) on the common stock of First Republic Bank beginning with the IPO price of $25.50 with the cumulative return of the (i) KBW Regional Bank Index, (ii) KBW Bank Index and (iii) Standard and Poor's 500 ("S&P 500") Index:



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

	Cumulative Return					
Index:	December 8, 2010	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
First Republic Bank ("FRC")	100	114	120	130	209	210
KBW Regional Bank Index	100	108	102	116	170	174
KBW Bank Index	100	106	81	108	149	163
S&P 500 Index	100	102	105	121	161	183

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2014, we sold 16,362 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $760,000. These sales were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

Also, during the quarter ended December 31, 2014, we granted 23,276 restricted stock units with an aggregate grant date fair value of $1.2 million. These awards vest over time provided certain performance criteria are achieved. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the fourth quarter of 2014 or at any time since our inception on July 1, 2010.

Item 6. Selected Financial Data.

The following table presents our selected financial and other data. The balance sheet and results of operations data have been derived from our audited financial statements.

The financial statements as of and for the years ended December 31, 2014, 2013, 2012, 2011 and the six months ended December 31, 2010 have been audited by KPMG LLP, which is an independent registered public accounting firm. The financial statements for the six months ended June 30, 2010 have been audited by PricewaterhouseCoopers LLP, which is also an independent registered public accounting firm.

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

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

We were acquired by Merrill Lynch on September 21, 2007, Merrill Lynch was then acquired by Bank of America on January 1, 2009 and we were re-established as an independent, California-chartered commercial bank on July 1, 2010. As a result of these acquisitions, our balance sheet, results of operations and several key operating metrics were affected by purchase accounting. We have presented certain information in the table below on a non-GAAP basis. We believe these non-GAAP ratios, when taken together with the corresponding ratios calculated in accordance with GAAP, provide meaningful supplemental information regarding our performance over the past several years. Reconciliations for all non-GAAP measures included in the selected financial data table below are provided in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Use of Non-GAAP Financial Measures” in the Bank’s Annual Report on Form 10-K for each respective period end.

($ in millions, except per share amounts)	As of or for the Year Ended December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	As of or for the Six Months Ended December 31, 2010	June 30, 2010 [1]
Selected Financial Data: [2]						
Interest income	$ 1,483	$ 1,356	$ 1,287	$ 1,183	$ 547	$ 509
Interest expense	153	132	114	118	54	96
Net interest income	1,330	1,224	1,173	1,065	493	413
Provision for loan losses	56	37	63	52	19	17
Net interest income after provision for loan losses	1,274	1,187	1,110	1,013	474	396
Noninterest income	318	244	169	118	46	49
Noninterest expense	923	768	677	567	277	217
Net income	487	462	401	354	143	129
Dividends on preferred stock and other	56	41	32	—	—	—
Net income available to common shareholders	$ 431	$ 421	$ 369	$ 354	$ 143	$ 129
Selected Ratios:						
Basic earnings per common share (“EPS”)	$ 3.16	$ 3.21	$ 2.84	$ 2.75	$ 1.15	n/a
Diluted EPS	$ 3.07	$ 3.10	$ 2.75	$ 2.67	$ 1.13	n/a
Diluted EPS (non-GAAP) [3]	$ 2.83	$ 2.65	$ 2.14	$ 1.70	$ 0.71	n/a
Net income to average assets [4]	1.06%	1.20%	1.28%	1.40%	1.29%	1.33%
Net income available to common shareholders to average common equity [4]	11.72%	13.50%	13.48%	15.13%	14.46%	21.03%
Average total equity to average total assets	9.93%	9.87%	9.79%	9.57%	9.34%	6.81%
Dividends per common share	$ 0.54	$ 0.36	$ 0.30	$ —	$ —	n/a
Dividend payout ratio	17.6%	11.6%	10.9%	—%	—%	n/a
Book value per common share	$ 28.13	$ 24.63	$ 22.10	$ 19.48	$ 16.60	n/a
Tangible book value per common share	$ 26.56	$ 22.83	$ 20.07	$ 18.25	$ 15.19	n/a
Net interest margin [4]	3.32%	3.62%	4.22%	4.63%	4.72%	4.47%
Net interest margin (non-GAAP) [3], [4]	3.14%	3.26%	3.53%	3.53%	3.41%	3.90%
Efficiency ratio [5]	56.0%	52.3%	50.5%	47.9%	51.3%	46.9%
Efficiency ratio (non-GAAP) [3], [5]	57.6%	55.8%	56.8%	58.1%	58.6%	52.1%
Selected Balance Sheet Data:						
Total assets	$48,353	$42,113	$34,389	$27,795	$22,378	$19,512
Cash and cash equivalents	817	808	602	631	1,528	436
Investment securities	6,638	4,824	3,537	2,824	1,093	4
Loans						
Unpaid principal balance	37,931	34,199	28,299	22,819	19,228	18,027
Net unaccreted discount	(153)	(220)	(332)	(494)	(678)	(674)
Net deferred fees and costs	31	22	20	10	1	1
Allowance for loan losses	(207)	(153)	(130)	(68)	(19)	(14)
Loans, net	37,602	33,848	27,857	22,267	18,532	17,340
Goodwill and other intangible assets	217	239	265	159	182	—
Deposits	37,131	32,083	27,088	22,459	19,236	17,779
Federal Home Loan Bank (“FHLB”) advances	5,275	5,150	3,225	2,200	600	130
Senior notes	400	—	—	—	—	—
Subordinated notes	—	—	—	66	68	66
Noncontrolling interests	—	—	—	77	87	100
Total equity	$ 4,778	$ 4,160	$ 3,400	$ 2,598	$ 2,225	$ 1,366
Other Financial Information:						
Wealth management assets	$53,377	$41,578	$31,290	$20,155	$16,580	$14,427
Loans serviced for others	$ 9,590	$ 6,000	$ 4,581	$ 3,381	$ 3,781	$ 3,737
Selected Asset Quality Ratios:						
Nonperforming assets to total assets	0.10%	0.14%	0.14%	0.11%	0.08%	0.09%
Nonperforming assets to loans and REO	0.12%	0.17%	0.18%	0.13%	0.10%	0.11%
Allowance for loan losses to total loans	0.55%	0.45%	0.46%	0.30%	0.10%	0.08%
Allowance for loan losses to nonperforming loans	451%	281%	264%	258%	103%	79%
Net charge-offs to average loans [4]	0.01%	0.05%	0.01%	0.02%	0.00%	0.11%
Capital Ratios:						
Tier 1 leverage ratio	9.43%	9.19%	9.33%	8.82%	9.25%	7.03%
Tier 1 common equity ratio [6]	10.90%	10.30%	11.14%	12.85%	13.77%	9.65%
Tier 1 risk-based capital ratio	13.55%	13.34%	13.28%	13.27%	14.38%	10.41%
Total risk-based capital ratio	14.20%	13.89%	13.87%	13.66%	14.62%	10.71%

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(1) Represents the Predecessor period.

(2) Our results of operations are affected significantly by purchase accounting loan discount accretion, liability premium amortization and amortization of intangible assets and, in 2012, the redemption of the First Republic Preferred Capital Corporation Series D preferred stock, due to the $13.2 million difference between the liquidation preference and the carrying value established in purchase accounting. Our results of operations for the six months ended December 31, 2010 were impacted by divestiture costs associated with our re-establishment as an independent institution on July 1, 2010 and initial public offering-related costs. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Bank's Annual Report on Form 10-K for each respective period end.

(3) For a reconciliation of each ratio to its equivalent ratio under GAAP, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Use of Non-GAAP Financial Measures" in the Bank's Annual Report on Form 10-K for each respective period end.

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

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

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

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

Introduction

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

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

Key Factors Affecting Our Business and Financial Statements

Interest Rates

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

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

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

Purchase Accounting Accretion and Amortization

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

($ in thousands)	December 31, 2014	December 31, 2013
Assets:		
Acquired loans (unpaid principal balance)	$ 4,890,530	$ 6,334,444
Purchase accounting discount	(152,441)	(219,650)
Total	$ 4,738,089	$ 6,114,794
Liabilities:		
Acquired CDs	$ 224,217	$ 412,997
Purchase accounting premium	1,006	7,358
Total	$ 225,223	$ 420,355

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

($ in thousands)	Year Ended December 31, 2014	2013	2012
Accretion/amortization to net interest income:			
Loans	$ 65,647	$ 111,682	$ 162,018
Deposits	6,352	11,897	22,239
Borrowings	—	—	1,942
Total	$ 71,999	$ 123,579	$ 186,199
Noninterest income:			
Discounts recognized in gain on sale of loans	$ 1,679	$ —	$ —
Loan commitments	—	—	255
Total	$ 1,679	$ —	$ 255
Amortization to noninterest expense:			
Intangible assets	$ 15,552	$ 18,113	$ 20,472

Loan discount accretion decreased in 2014 and 2013 primarily due to a lower level of loan prepayments for loans acquired on July 1, 2010 and a declining balance of loan discounts.

Regulatory and Supervisory Matters

Our results of operations are affected by the regulatory environment and requirements imposed on us by regulators. The extensive regulation and supervision that govern our business continues to evolve as the legal and regulatory framework changes and as our business grows. As described further under "Item 1. Business—Supervision and Regulation—Overview," the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States.

As of December 31, 2014, we had $12.1 billion of noninterest-bearing business checking accounts and $941.0 million of interest-bearing business checking accounts. The prohibition on depository institutions from paying interest on demand deposits, such as checking accounts, was repealed effective July 21, 2011. We began offering interest-bearing corporate checking after July 21, 2011. Current interest rates for this product are very low given the current market conditions and the impact of the repeal so far has not been significant to us. However, we do not know what market rates will eventually be, and we therefore cannot estimate the long-term impact of the repeal at this time to our interest expense on deposits. If we need to offer higher interest on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth.

The Dodd-Frank Act imposes additional underwriting standards on mortgages and restricts so-called "high-cost mortgages." Because of these restrictions, it may become impractical or impermissible for us to continue to originate certain mortgages with prepayment penalties. This may cause our fee income from prepayment penalties to decrease over time as mortgages with prepayment penalties in our loan portfolio repay and cannot be replaced. For 2014, 2013 and 2012, our revenue from prepayment penalties (including on loans serviced for others) was $16.4 million, $22.0 million and $19.9 million, respectively.

We are not currently subject to the requirements and standards applicable to financial institutions with at least $50 billion in total consolidated banking assets, based on the average of such assets as of the end of each of the previous four quarters. We currently anticipate that our four quarter ending total consolidated banking assets will likely first average $50 billion, or more, at the quarter ended September 30, 2015. However, we do not deem it prudent to wait until we reach this threshold to establish additional enhancements needed. As discussed below under "—Impact of Regulatory and Supervisory Requirements on Costs," in response to the current operating environment, heightened expectations from regulators and planning for the imposition of more stringent regulatory obligations as our business continues to grow, we have incurred and expect to continue to incur increased costs in the form of additional personnel, professional fees associated with outside consultants and investments in our infrastructure.

Certain regulatory requirements and standards applicable to bank holding companies with at least $50 billion in total consolidated assets currently would not technically apply to us because we are a California-chartered, non-member bank without a bank holding company. Regardless of the legal applicability of these requirements and standards, we are nevertheless developing self-imposed, enhanced standards that are commensurate with our asset size, legal entity structure and our business model, and which are designed to conceptually conform to the intent and focus of such guidelines and ensure our continued safety and soundness. Adhering to these standards has and will continue to result in increased costs similar to those described above.

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

We are required to conduct annual capital stress tests, as described further under "Item 1. Business—Supervision and Regulation—Annual Capital Stress Tests."

As described further under "Item 1. Business—Supervision and Regulation—New Liquidity Rules," because we are a California-chartered, non-member bank without a bank holding company, we would not technically become subject to the LCR Rule even when we reach $50 billion in total consolidated assets. Nevertheless, we are committed to enhancing our on-balance sheet liquidity and have increased and will continue to increase our portfolio of HQLA.

Impact of Regulatory and Supervisory Requirements on Costs

As a result of the current regulatory environment and our growth in recent years, we have made and expect to continue to make substantial investments in our regulatory, audit and compliance infrastructure, including additional personnel and initiatives to enhance systems and procedures in numerous areas such as enterprise risk management, BSA/AML compliance, capital stress testing, liquidity stress testing, qualified mortgage rules, resolution planning and other aspects of our enterprise-wide compliance program. As a result of the foregoing, our expenses have increased and will continue to increase in the near term, which will impact our results of operations.

We have undertaken a comprehensive review of continuing enhancements to regulatory compliance, including the heightened regulatory requirements, along with the investments we have made and we expect to make in our regulatory, audit and compliance infrastructure. We believe it is appropriate and prudent that we make these investments, and incur the related expenses, at this time. In connection with these investments, we are already incurring additional costs relating to hiring significant additional compliance personnel in several areas, professional fees associated with outside consultants and investments in technology systems and compliance infrastructure. For example, we currently have numerous active consulting work streams to both implement new regulatory requirements and further enhance existing processes. We currently anticipate that a significant portion of expenses relating to outside consultants will shift to spending on employee salaries and benefits as we continue to hire additional permanent personnel. The expected increase in expenses also includes certain additional costs that we expect to incur in connection with our commitment to continue investing in the general infrastructure of the franchise.

Cost Containment and Core Efficiency Ratio

During the third quarter of 2014, we formulated and began executing an enterprise-wide cost containment program focused on non-regulatory related expenditures, including personnel. As a result of this program, we currently anticipate that a meaningful portion of the increased regulatory and infrastructure expenses described above will be offset by these cost containment efforts.

We currently anticipate that our core efficiency ratio through the end of 2015 on a quarterly basis is expected to range from 57% to 61% (excluding the seasonal elevated payroll tax impact in the first quarter of 2015). We expect that our core efficiency ratio will continue to remain elevated during 2015 as we continue to invest in and enhance our regulatory and compliance infrastructure. We currently anticipate that our quarterly core efficiency ratio should begin to improve in late 2015 or early 2016.

Financial Highlights

Our total assets were $48.4 billion at December 31, 2014 and $42.1 billion at December 31, 2013, a 15% increase.

At December 31, 2014, total investment securities were $6.6 billion, a 38% increase compared to $4.8 billion at December 31, 2013. Total investment securities represented 14% of total assets at December 31, 2014, compared to 11% at December 31, 2013. The majority of the increase was due to an increase in investments that are HQLA from a regulatory perspective, which totaled $3.1 billion at December 31, 2014.

At December 31, 2014, loans outstanding, including loans held for sale, were $38.2 billion, a 12% increase, compared to $34.3 billion at December 31, 2013. Our single family mortgage loans, including loans held for sale and HELOCs, were $23.0 billion and represented 60% of total loans at December 31, 2014.

Loan origination volume was $17.0 billion in 2014, compared to $17.8 billion in 2013 and $15.5 billion in 2012, a decrease of 5% in 2014 and an increase of 15% in 2013. Loan originations decreased in 2014 primarily due to a decline in single family loan refinance activity, partially offset by an increase in purchase activity. Loan originations increased in 2013 due to continued low interest rates, an increased level of home refinances, higher home purchases and the addition of new lending personnel.

Total deposits were $37.1 billion at December 31, 2014, an increase of 16%, compared to $32.1 billion at December 31, 2013. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients, both business and consumer. Balances in business and personal checking accounts were $21.4 billion, or 58% of total deposits, as we continued to emphasize building banking relationships through checking and other transaction deposit accounts. Total checking and savings accounts were 90% of total deposits at December 31, 2014, compared to 88% at December 31, 2013. At December 31, 2014, business deposits were $17.6 billion and represented 47% of total deposits, compared to $14.6 billion, or 45% of total deposits, at December 31, 2013.

Our Tier 1 leverage, Tier 1 common equity and total risk-based capital ratios at December 31, 2014 were 9.43%, 10.90% and 14.20%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions.

Book value per common share was $28.13 at December 31, 2014, a 14% increase from December 31, 2013. Tangible book value per common share was $26.56 at December 31, 2014, a 16% increase from December 31, 2013.

We paid cash dividends of $0.54 per share of common stock in 2014, compared to $0.36 in 2013 and $0.30 in 2012. We also paid a fourth quarter 2014 cash dividend of $0.14 per share of common stock on February 12, 2015 to shareholders of record as of January 29, 2015. The payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management assets under management or administration increased $11.8 billion, or 28%, to $53.4 billion at December 31, 2014, from $41.6 billion at December 31, 2013. The increase in assets under management was primarily due to net new assets from both existing and new clients.

Results of Operations—Years Ended December 31, 2014, December 31, 2013 and December 31, 2012

Overview

Net income was $487.0 million in 2014, compared to $462.1 million in 2013 and $401.2 million in 2012, an increase of $24.9 million, or 5%, for 2014 and an increase of $60.9 million, or 15%, for 2013. Diluted EPS were $3.07 for 2014, compared to $3.10 for 2013 and $2.75 for 2012. In 2012, the redemption of the First Republic Preferred Capital Corporation ("FRPCC") Series D preferred stock resulted in a one-time reduction to diluted EPS of $0.10 per share.

Net income excluding the impact of purchase accounting (core net income) was $453.6 million in 2014, compared to $401.4 million in 2013 and $305.7 million in 2012, an increase of 13% in 2014 and an increase of 31% in 2013. As adjusted on a non-GAAP basis, and also excluding the one-time FRPCC Series D preferred stock redemption charge in 2012, core diluted EPS were $2.83 for 2014, compared to $2.65 for 2013 and $2.14 for 2012. For a reconciliation of core net income and core diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $454.7 million in 2014, compared to $429.1 million in 2013 and $381.2 million in 2012. The Wealth Management segment had net income of $32.3 million in 2014, compared to $33.0 million in 2013 and $20.0 million in 2012. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $1.3 billion in 2014, compared to $1.2 billion in both 2013 and 2012, an increase of $106.6 million, or 9% in 2014. Included in net interest income were the effects of purchase accounting. The amount of net interest income resulting from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $72.0 million in 2014, compared to $123.6 million in 2013 and $186.2 million in 2012.

On an average basis, interest-earning assets and interest-bearing liabilities both increased 20% in 2014 and both increased 23% in 2013.

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

	Year Ended December 31,		
	2014	2013	2012
Interest-earning assets	3.67%	3.98%	4.61%
Interest-bearing liabilities	(0.37)%	(0.39)%	(0.41)%
Net interest margin (GAAP)	3.32%	3.62%	4.22%
Purchase accounting accretion/amortization	(0.18)%	(0.36)%	(0.69)%
Core net interest margin	3.14%	3.26%	3.53%

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

	Year Ended December 31,								
	2014			2013			2012		
($ in thousands)	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates	Average Balance	Interest	Yields/ Rates
Assets:									
Cash and cash equivalents	$ 1,468,877	$ 3,711	0.25%	$ 1,199,650	$ 3,001	0.25%	$ 1,022,996	$ 2,644	0.26%
Investment securities:									
U.S. Treasury and other U.S. Government agency securities	249,584	2,481	0.99%	—	—	—%	—	—	—%
U.S. Government-sponsored agency securities	124,292	3,446	2.77%	—	—	—%	—	—	—%
MBS:									
Agency residential and commercial MBS	704,380	17,170	2.44%	120,928	2,052	1.70%	144,854	1,601	1.11%
Other residential and commercial MBS	426,714	16,657	3.90%	578,908	21,995	3.80%	576,804	22,191	3.85%
Municipal securities (1)	3,413,936	141,761	6.52%	2,851,480	118,217	6.43%	2,343,076	98,731	6.57%
Collateralized loan obligations	505,188	8,110	1.61%	534,358	7,923	1.48%	17,035	84	0.49%
Other investment securities (2)	273,650	18,111	6.62%	237,098	8,899	3.75%	161,402	1,433	0.89%
Total investment securities	5,697,744	207,736	5.06%	4,322,772	159,086	5.18%	3,243,171	124,040	5.53%
Loans:									
Residential real estate	22,708,838	717,820	3.16%	19,924,636	698,759	3.51%	16,979,613	702,550	4.14%
Multifamily	4,349,152	169,247	3.89%	3,506,161	152,477	4.35%	2,597,926	135,012	5.20%
Commercial real estate	3,581,390	178,579	4.99%	3,052,055	177,879	5.83%	2,597,929	189,307	7.29%
Construction	728,987	34,716	4.76%	472,497	23,138	4.90%	343,529	18,269	5.32%
Business loans (1)	3,998,185	143,626	4.34%	2,897,765	115,137	4.66%	1,970,092	89,947	5.09%
Other loans	905,404	27,574	3.05%	790,379	26,541	3.36%	617,121	25,437	4.12%
Total loans (3)	36,271,956	1,271,562	3.59%	30,643,493	1,193,931	3.96%	25,106,210	1,160,522	4.66%
Total interest-earning assets	43,438,577	1,483,009	3.67%	36,165,915	1,356,018	3.98%	29,372,377	1,287,206	4.61%
Noninterest-earning assets:									
Noninterest-earning cash	239,345			240,043			205,978		
Goodwill and other intangibles	227,516			251,942			151,396		
Other assets	2,129,042			1,720,385			1,499,592		
Total noninterest-earning assets	2,595,903			2,212,370			1,856,966		
Total Assets	$46,034,480			$38,378,285			$31,229,343		
Liabilities and Equity:									
Deposits:									
Checking	$18,572,545	2,062	0.01%	$14,420,567	2,012	0.01%	$11,515,255	1,511	0.01%
Money market checking and savings	12,737,635	16,691	0.13%	11,443,203	22,786	0.20%	9,691,658	18,950	0.20%
CDs (3)	3,687,912	41,701	1.13%	3,447,556	36,019	1.04%	3,398,532	36,520	1.07%
Total deposits	34,998,092	60,454	0.17%	29,311,326	60,817	0.21%	24,605,445	56,981	0.23%
Borrowings:									
Short-term borrowings	3	—	0.00%	402,176	768	0.19%	3,262	8	0.25%
Long-term FHLB advances	5,474,726	85,584	1.56%	4,253,562	69,353	1.63%	2,992,760	54,593	1.82%
Senior notes (4)	216,706	5,529	2.55%	—	—	—%	—	—	—%
Other long-term debt (3)	40,070	682	1.70%	50,709	905	1.79%	105,535	2,604	2.47%
Total borrowings	5,731,505	91,795	1.60%	4,706,447	71,026	1.51%	3,101,557	57,205	1.84%
Total interest-bearing liabilities	40,729,597	152,249	0.37%	34,017,773	131,843	0.39%	27,707,002	114,186	0.41%
Noninterest-bearing liabilities	733,347			571,576			464,605		
Preferred equity	889,525			666,552			290,675		
Common equity	3,682,011			3,122,384			2,738,937		
Noncontrolling interests	—			—			28,124		
Total Liabilities and Equity	$46,034,480			$38,378,285			$31,229,343		
Net interest spread (5)			3.30%			3.59%			4.20%
Net interest income and net interest margin (6)		$1,330,760	3.32%		$1,224,175	3.62%		$1,173,020	4.22%
Net interest income (tax-equivalent basis)		$1,440,083			$1,309,005			$1,239,134	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin (7)		$1,368,084	3.14%		$1,185,426	3.26%		$1,052,935	3.53%

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(1) In order to calculate the yield on tax-exempt investment securities on a tax-equivalent basis, reported interest income was increased by $79.5 million in 2014, $65.0 million in 2013 and $55.3 million in 2012. In order to calculate the yield on tax-exempt loans on a tax-equivalent basis, reported interest income was increased by $29.9 million in 2014, $19.8 million in 2013 and $10.8 million in 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) Average balances include unamortized issuance costs. Interest expense includes amortization of issuance costs.
(5) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(6) Net interest margin is computed by dividing net interest income by total average interest-earning assets.
(7) For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Interest Income

Interest income on loans was $1.3 billion in 2014, compared to $1.2 billion in both 2013 and 2012, an increase of 7% during 2014. Included in interest income on loans is loan discount accretion of $65.6 million in 2014, compared to $111.7 million in 2013 and $162.0 million in 2012. The decreases in discount accretion in 2014 and 2013 were 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 $36.3 billion for 2014, compared to $30.6 billion for 2013 and $25.1 billion for 2012, an increase of 18% during 2014 and an increase of 22% during 2013. The average yield on loans, including the accretion of loan discounts, was 3.59% in 2014, compared to 3.96% in 2013 and 4.66% in 2012, a decrease of 37 basis points during 2014 and a decrease of 70 basis points during 2013. The average contractual yield earned on loans was 3.39% in 2014, compared to 3.56% in 2013 and 3.95% in 2012, a decrease of 17 basis points during 2014 and a decrease of 39 basis points during 2013 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 loans included prepayment penalty fees of $14.4 million, $19.7 million and $17.9 million in 2014, 2013 and 2012, respectively. The decrease in 2014 was primarily due to lower prepayments on single family loans. The Dodd-Frank Act imposes additional underwriting standards on mortgages and limits prepayment penalties to only those loans that have a fixed rate for their entire term. Because of these restrictions, it has become impermissible for us to include prepayment penalties on most of the single family mortgages we originate. This will cause our fee income from prepayment penalties to decrease as the percentage of mortgages in our portfolio with prepayment penalties declines 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 3.18% at December 31, 2014, compared to 3.32% at December 31, 2013. For ARMs, the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At December 31, 2014, approximately 37% of our total loans were adjustable-rate or mature within one year, compared to 36% at December 31, 2013. 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 2014, 2013 and 2012, the average balance of single family loans in our loan portfolio (excluding HELOCs) was 48%, 50% and 51%, respectively, of average interest-earning assets.

Interest income on investments includes income earned on short-term investments, investment securities and FHLB stock. Interest income on investments increased $48.7 million, or 31%, to $207.7 million in 2014, compared to $159.1 million in 2013 and $124.0 million in 2012. The increases in 2014 and 2013 were due to the purchases of new investments. Average balances were $5.7 billion in 2014, compared to $4.3 billion in 2013 and $3.2 billion in

2012, an increase of 32% in 2014 and 33% in 2013. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.06% in 2014, compared to 5.18% in 2013 and 5.53% in 2012. The yield decline in 2014 was the result of a modest change in mix of the investment portfolio, as we have increased our holdings of U.S. Treasury and other U.S. Government agency securities, U.S. Government-sponsored agency securities and agency mortgage-backed securities, while the percentage of higher yielding municipal securities that are part of the total portfolio decreased, compared to 2013. The decrease in yield in 2013 was primarily the result of an increase in the average balance of collateralized loan obligations, which earned lower yields than municipal securities.

Interest Expense

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes and other borrowings. Total interest expense in 2014 increased to $152.2 million, from $131.8 million in 2013 and $114.2 million in 2012, an increase of $20.4 million during 2014 and $17.7 million during 2013. The increases were the result of increases in average interest-bearing liabilities, which were $40.7 billion in 2014, compared to $34.0 billion in 2013 and $27.7 billion in 2012. In addition, the average cost of interest-bearing liabilities decreased to 0.37% in 2014 from 0.39% in 2013 and 0.41% in 2012.

Interest expense is also impacted by the amortization of fair value adjustments established in purchase accounting. The amount of purchase accounting amortization included as a reduction of interest expense was $6.4 million in 2014, compared to $11.9 million in 2013 and $24.2 million in 2012. The average contractual cost of total interest-bearing liabilities was 0.39% in 2014, decreasing from 0.42% in 2013 and 0.50% in 2012.

Interest expense on deposits was $60.5 million for 2014, compared to $60.8 million in 2013 and $57.0 million in 2012, a decrease of $363,000, or 1%, during 2014 and an increase of $3.8 million, or 7%, during 2013. Interest expense on deposits for 2014, 2013 and 2012 was reduced by $6.4 million, $11.9 million and $22.2 million, respectively, for the amortization of premiums on CDs.

Average deposit balances were $35.0 billion in 2014, compared to $29.3 billion in 2013 and $24.6 billion in 2012, an increase of 19% during both 2014 and 2013. Average checking account balances comprised 53% of average total deposits for 2014, compared to 49% for 2013 and 47% for 2012. Average money market checking and savings accounts were 36% of average total deposits in 2014, compared to 39% in both 2013 and 2012. Average CD balances were 11% of average total deposits in 2014, compared to 12% in 2013 and 14% in 2012. The average cost of deposits, including purchase accounting amortization, decreased 4 basis points to 0.17% in 2014, from 0.21% in 2013 and 0.23% in 2012. The average contractual cost of deposits decreased to 0.19% for 2014, from 0.25% in 2013 and 0.32% in 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 December 31, 2014 and 2013, the weighted average contractual rate paid on total deposits was 0.16% and 0.23%, respectively. At December 31, 2014, our total deposits were $37.1 billion, compared to $32.1 billion at December 31, 2013, 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 or unsecured term senior notes, which are generally higher in cost.

Interest expense on borrowings was $91.8 million in 2014, compared to $71.0 million in 2013, and $57.2 million in 2012, an increase of $20.8 million, or 29%, during 2014 and an increase of $13.8 million, or 24%, during 2013.

At December 31, 2014, long-term FHLB advances outstanding were $5.3 billion, compared to $5.2 billion at December 31, 2013. Interest expense on long-term FHLB advances was $85.6 million in 2014, compared to

$69.4 million in 2013 and $54.6 million in 2012, an increase of $16.2 million, or 23%, during 2014 and an increase of $14.8 million, or 27%, during 2013. The increases were primarily due to increases in average long-term FHLB advances. Average long-term FHLB advances were $5.5 billion in 2014, compared to $4.3 billion in 2013 and $3.0 billion in 2012, an increase of 29% in 2014 and 42% in 2013. The average cost of long-term FHLB advances decreased to 1.56% in 2014, from 1.63% in 2013 and 1.82% in 2012. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 13% in both 2014 and 2013, compared to 11% in 2012.

At December 31, 2014, the carrying value of unsecured, term, fixed-rate senior notes issued in June 2014 was $399.5 million. Interest expense on our fixed-rate senior notes in 2014 was $5.5 million and includes interest at a coupon rate of 2.375%, increased by amortization of issuance discounts and offering costs. The senior notes mature on June 17, 2019.

Rate and Volume Variances

Net interest income is affected by changes in both volume and interest rates. Volume changes are caused by increases or decreases during the year in the level of average interest-earning assets and average interest-bearing liabilities. Rate changes result from increases or decreases in the yields earned on assets or the rates paid on liabilities. The following table presents for each of the last two years a summary of the changes in interest income and interest expense resulting from changes in the volume of average asset and liability balances and changes in the average yields or rates compared to the preceding year. Unallocated changes in interest income or interest expense due to both volume and rate changes (such as for new investment or borrowing types) have been allocated proportionally between the volume and the rate variances.

	2014 vs. 2013			2013 vs. 2012		
($ in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Increase (decrease) in interest income:						
Cash and cash equivalents	$ 710	$ —	$ 710	$ 445	$ (88)	$ 357
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	1,241	1,240	2,481	—	—	—
U.S. Government-sponsored agency securities	1,723	1,723	3,446	—	—	—
MBS:						
Agency residential and commercial MBS	13,062	2,056	15,118	(316)	767	451
Other residential and commercial MBS	(5,930)	592	(5,338)	81	(277)	(196)
Municipal securities	23,355	189	23,544	21,107	(1,621)	19,486
Collateralized loan obligations	(448)	635	187	5,571	2,268	7,839
Other investment securities	1,619	7,593	9,212	1,312	6,154	7,466
Loans:						
Residential real estate	92,552	(73,491)	19,061	113,475	(117,266)	(3,791)
Multifamily	34,260	(17,490)	16,770	42,806	(25,341)	17,465
Commercial real estate	28,770	(28,070)	700	30,622	(42,050)	(11,428)
Construction	12,241	(663)	11,578	6,446	(1,577)	4,869
Business loans	40,697	(12,208)	28,489	38,605	(13,415)	25,190
Other loans	3,664	(2,631)	1,033	6,492	(5,388)	1,104
Total increase (decrease)	247,516	(120,525)	126,991	266,646	(197,834)	68,812
Increase (decrease) in interest expense:						
Deposits:						
Checking	50	—	50	501	—	501
Money market checking and savings	2,434	(8,529)	(6,095)	3,836	—	3,836
CDs	2,606	3,076	5,682	523	(1,024)	(501)
Short-term borrowings	(384)	(384)	(768)	816	(56)	760
Long-term FHLB advances	19,223	(2,992)	16,231	21,256	(6,496)	14,760
Senior notes	2,764	2,765	5,529	—	—	—
Other long-term debt	(181)	(42)	(223)	(1,078)	(621)	(1,699)
Total increase (decrease)	26,512	(6,106)	20,406	25,854	(8,197)	17,657
Increase (decrease) in net interest income	$221,004	$(114,419)	$106,585	$240,792	$(189,637)	$ 51,155

Provision for Loan Losses

The provision for loan losses was $56.5 million for 2014, compared to $37.0 million for 2013 and $63.4 million for 2012. The provision for loan losses is related primarily to loans that have been originated since July 1, 2010 and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Noninterest income:			
Investment advisory fees	$147,840	$112,121	$ 59,054
Brokerage and investment fees	14,404	11,892	10,682
Trust fees	10,483	9,588	8,715
Foreign exchange fee income	19,552	13,912	11,504
Deposit fees	18,468	18,258	13,994
Gain on sale of loans	35,515	36,290	38,831
Loan servicing fees, net	9,701	7,230	(5,307)
Loan and related fees	8,658	7,515	6,291
Income from investments in life insurance	29,558	24,365	22,186
Gain on investment securities, net	21,837	531	670
Other income	2,339	2,648	2,114
Total noninterest income	$318,355	$244,350	$168,734

Noninterest income for 2014 was $318.4 million, compared to $244.4 million for 2013 and $168.7 million for 2012, an increase of 30% in 2014 and 45% in 2013. The increase in 2014 was primarily due to increases in investment advisory fees, gain on investment securities, foreign exchange fee income and income from investments in life insurance. The increase in 2013 was primarily due to increases in investment advisory fees, net loan servicing fees, deposit fees and foreign exchange fee income.

Investment advisory fees. Investment advisory fees were $147.8 million in 2014, $112.1 million in 2013 and $59.1 million in 2012, a 32% increase in 2014 and a 90% increase in 2013. The increase in investment advisory fees in 2014 was primarily due to an increase in assets under management from the addition of assets from existing and new clients. The increase in 2013 was primarily the result of fees earned from assets acquired in the Luminous Capital Holdings, LLC ("Luminous") asset purchase, which were earned beginning in 2013, and also from the addition of assets from existing and new clients. Clients' assets came from the increased cross-selling of investment management services to bank clients, acquiring new clients, the successful marketing efforts of existing portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. Investment advisory fees vary with the amount of assets managed by our investment advisory subsidiary 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 $14.4 million in 2014, $11.9 million in 2013 and $10.7 million in 2012, a 21% increase in 2014 and an 11% increase in 2013. The increases in 2014 and 2013 were primarily due to increased trading volume and higher balances of assets under administration. The future level of these fees depends on the level and mix of assets under management, conditions in the equity markets and our ability to attract new clients.

Trust fees. Trust fees were $10.5 million in 2014, $9.6 million in 2013 and $8.7 million in 2012, an increase of $895,000, or 9%, in 2014 and an increase of $873,000, or 10%, in 2013. The increases in 2014 and 2013 were primarily due to increases in assets under custody or administration from existing and new clients. 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 $19.6 million on foreign exchange business in 2014, compared to $13.9 million in 2013 and $11.5 million in 2012, an increase of 41% in 2014 and 21% in 2013. The increases in foreign exchange fees were primarily driven by volume of activity from both existing and new clients and the addition of new client service personnel.

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

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $18.5 million in 2014, $18.3 million in 2013 and $14.0 million in 2012. The increase in 2013 was primarily due to increased service charges on deposit products and services, along with growth in accounts.

Gain on sale of loans. The gain on the sale of $4.4 billion of loans was $35.5 million, or approximately 77 basis points on the loans sold (excluding the impact of purchase accounting) in 2014, compared to net gains of $36.3 million on loan sales of $2.7 billion in 2013 and net gains of $38.8 million on loans sales of $2.4 billion in 2012. The higher level of gain on sales in 2014 was primarily the result of a higher volume of loans sold. The levels of gain on sales in 2013 and 2012 were primarily the result of favorable market conditions. The net gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

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

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Contractually specified servicing fees	$18,493	$14,378	$10,375
Amortization expense	(8,797)	(9,024)	(8,473)
Net reversal of (provision for) impairment	5	1,876	(7,209)
Loan servicing fees, net	$ 9,701	$ 7,230	$ (5,307)

Contractual servicing fees increased to $18.5 million in 2014, compared to $14.4 million in 2013 and $10.4 million in 2012. The increases were primarily due to the growth in the servicing portfolio. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Weighted average servicing fees collected as a percentage of loans serviced were approximately 0.26% for both 2014 and 2013 and 0.27% for 2012.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. In 2014, the overall annualized repayment speed experienced on loans serviced was 10%, compared to 19% in 2013 and 27% in 2012. A reversal of impairment provision of $5,000 and $1.9 million was recorded for 2014 and 2013, respectively, as a result of lower actual and projected repayments in the servicing portfolio. A provision for impairment of $7.2 million was recorded in 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 any valuation allowance, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Loan and related fees. Loan and related fee income was $8.7 million in 2014, compared to $7.5 million in 2013 and $6.3 million in 2012. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan related processing fees that vary with market conditions and loan origination volumes; prepayment penalties on sold loans; and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates. We collected prepayment penalty fees on loans serviced for others of $2.0 million in 2014, $2.3 million in 2013 and $2.0 million in 2012. The Dodd-Frank Act imposes additional underwriting standards on mortgages and limits prepayment penalties to only those loans that have a fixed rate for their entire term. Because of these restrictions, it has become impermissible for us to include prepayment penalties on most of the single family mortgages we originate. This will cause our fee income from prepayment penalties to decrease as mortgages with prepayment penalties run off over time.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $29.6 million in 2014, $24.4 million in 2013 and $22.2 million in 2012. The increases in 2014 and 2013 were due to additional purchases of bank-owned life insurance. The book value of this portfolio of tax-exempt investments was $1.0 billion at December 31, 2014, compared to $766.3 million at December 31, 2013.

Gain on investment securities, net. Net gain on investment securities was $21.8 million in 2014, compared to $531,000 in 2013 and $670,000 in 2012. The gain on investment securities in 2014 was primarily the result of the repositioning of our investment portfolio. During 2014, as part of our repositioning efforts, we sold all of our collateralized loan obligations and non-agency commercial MBS, resulting in a net gain of approximately $23 million. The proceeds from the sales were reinvested into investments considered to be HQLA from a regulatory perspective, which further enhanced our on-balance sheet liquidity.

Noninterest Expense

The following table presents noninterest expense:

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Noninterest expense:			
Salaries and employee benefits	$490,341	$402,222	$339,656
Occupancy	98,466	91,120	83,648
Information systems	95,387	79,955	72,508
Professional fees	53,429	22,488	19,848
FDIC and other deposit assessments	31,294	27,976	24,386
Advertising and marketing	25,703	25,459	25,120
Amortization of intangibles	22,744	26,147	20,472
Other expenses	105,382	92,630	91,333
Total noninterest expense	$922,746	$767,997	$676,971

Noninterest expense was $922.7 million in 2014, compared to $768.0 million in 2013 and $677.0 million in 2012, an increase of $154.7 million, or 20%, in 2014 and $91.0 million, or 13%, in 2013. The increase in 2014 was primarily due to higher salaries and employee benefits, professional fees, information systems costs and other expenses, including those related to enhancing our regulatory compliance infrastructure, particularly with respect to BSA/AML. The increase in 2013 was primarily due to higher salaries and employee benefits, occupancy, information systems costs and amortization of intangibles.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with Accounting Standards Codification ("ASC") 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $76.2 million in 2014, compared to $78.8 million in 2013 and $73.3 million in 2012, a decrease of $2.6 million, or 3%, in 2014 and an increase of $5.5 million, or 8%, in 2013. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs on our balance sheet and are amortized to interest income over the contractual life of the loans. At December 31, 2014, net deferred loan costs were $31.2 million, compared to $21.8 million at December 31, 2013.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 56.0% in 2014, compared to 52.3% in 2013 and 50.5% in 2012. The efficiency ratio was significantly affected by purchase accounting. Excluding the impact of purchase accounting, the core efficiency ratio was 57.6% in 2014, compared to 55.8% in 2013 and 56.8% in 2012. For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures." For additional discussion of the Bank's outlook on compliance-related expenditures and its cost containment program, including those related to employee salaries and the Bank's outlook on the core efficiency ratio, see "—Key Factors Affecting Our Business and Financial Statements—Regulatory and Supervisory Matters—Impact of Regulatory and Supervisory Requirements on Costs and—Cost Containment and Core Efficiency Ratio."

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and includes 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 $490.3 million in 2014, compared to $402.2 million in 2013 and $339.7 million in 2012, an increase of $88.1 million, or 22%, in 2014 and

$62.6 million, or 18%, in 2013. The increases were primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, wealth management activities and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities. At December 31, 2014, we had 2,506 full-time equivalent employees, including temporary employees and independent contractors, a 5% increase from 2,388 at December 31, 2013.

Occupancy. Occupancy costs were $98.5 million in 2014, $91.1 million in 2013 and $83.6 million in 2012, an increase of $7.3 million, or 8%, in 2014 and $7.5 million, or 9%, in 2013. The increases in occupancy costs in 2014 and 2013 were primarily due to the opening of new Preferred Banking offices 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.

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 $95.4 million in 2014, $80.0 million in 2013 and $72.5 million in 2012, an increase of $15.4 million, or 19%, in 2014 and $7.4 million, or 10%, in 2013. The increases in information systems costs were primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth, as well as to enhance our compliance infrastructure.

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, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to enhancing regulatory activities. Such expenses were $53.4 million in 2014, compared to $22.5 million in 2013 and $19.8 million in 2012, an increase of $30.9 million in 2014 and $2.6 million in 2013. The increase in outside consultant fees in 2014 was primarily due to regulatory activities, including BSA/AML compliance, liquidity stress testing and enterprise risk management.

FDIC and other deposit assessments. FDIC and other deposit assessments were $31.3 million in 2014, $28.0 million in 2013 and $24.4 million in 2012, an increase of 12% in 2014 and 15% in 2013. The increases in 2014 and 2013 were primarily due to the increase in our assessment base as a result of the growth in assets, partially offset by a decrease in our assessment rate.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers and radio, primarily to support deposit growth in our Preferred Banking offices. Advertising and marketing expenses were $25.7 million in 2014, $25.5 million in 2013 and $25.1 million in 2012. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth.

Amortization of intangibles. Amortization expense was $22.7 million in 2014, compared to $26.1 million in 2013 and $20.5 million in 2012. Amortization expense decreased in 2014 due to the accelerated method of recording intangible amortization. Amortization expense increased in 2013, as during this period we began amortizing intangibles established in the Luminous asset purchase.

Other expenses. Other expenses were $105.4 million in 2014, compared to $92.6 million in 2013 and $91.3 million in 2012. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanded operations. Other operating expenses include postage, donations, cash management, custody and clearing and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and assets under management, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Other expenses:			
Deposit client related costs	$ 22,671	$20,256	$17,160
Travel and entertainment	10,923	12,435	10,505
Loan related costs	10,378	8,534	9,728
Insurance expense	8,274	6,130	5,391
Recruiting fees	4,659	4,841	6,311
Subscriptions	6,391	4,837	4,931
Provision on loan commitments	3,400	500	3,325
Other operating expenses	38,686	35,097	33,982
Total other expenses	$105,382	$92,630	$91,333

Insurance expenses increased to $8.3 million in 2014, compared to $6.1 million in 2013 and $5.4 million in 2012. The increase in 2014 was primarily the result of our larger asset size and the purchase of a new earthquake insurance policy. As part of managing risk associated with earthquakes that may occur in California, we purchased a parametric earthquake insurance policy (the "Policy") from American International Reinsurance Company, Ltd. (the "Insurer"), a subsidiary of American International Group, Inc. ("AIG") on June 30, 2014. Pursuant to this Policy, the Insurer is required to pay us: (i) $50 million upon the occurrence of an earthquake during the Policy's term that measures at least 7.0 on the moment magnitude scale and has an epicenter within an 85-mile radius of 111 Pine Street in San Francisco, California (our headquarters); and/or (ii) $15 million upon the occurrence of an earthquake during the Policy's term that measures at least 7.5 on the moment magnitude scale and has an epicenter within an 85-mile radius of 1888 Century Park East, Los Angeles, California (our Los Angeles office). The Bank is not required to incur any loss in order to receive proceeds under the Policy. The Policy's term ends January 1, 2018.

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 2014 was 27.3%, compared to 30.4% for 2013 and 33.0% for 2012. The decreases in the effective tax rate are the result of the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-exempt 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 FRIM, our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"), as well as the operations of the Trust Company and our foreign exchange activities. FRIM acquired substantially all of the assets of Luminous, an independent wealth advisor, on December 28, 2012 and operating results of Luminous are included in the Wealth Management segment's results subsequent to the acquisition date. The Wealth Management segment's primary sources of revenue are fees earned for the management or administration of clients' assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for managing the Bank's investment portfolio and a deposit earnings credit for deposit accounts that are maintained at the Bank, including sweep deposits. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 22 to "Item 8. Financial Statements and Supplementary Data."

Commercial Banking

Net interest income for Commercial Banking was $1.3 billion for 2014, compared to $1.2 billion for 2013 and $1.1 billion for 2012, an increase of 9% in 2014 and 5% in 2013. The increases in net interest income in 2014 and 2013 were primarily due to an increase in interest-earning assets, partially offset by a lower net interest margin.

The provision for loan losses for Commercial Banking was $56.5 million for 2014, compared to $37.0 million for 2013 and $63.4 million for 2012, an increase of 53% in 2014 and a decrease of 42% in 2013. The provision for loan losses is related primarily to loans that have been originated since July 1, 2010 and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest income for Commercial Banking was $124.8 million for 2014, compared to $95.3 million for 2013 and $76.1 million for 2012, an increase of 31% in 2014 and 25% in 2013. The increase in 2014 was primarily due to higher gain on investment securities. The increase in 2013 was primarily due to higher net loan servicing fees and deposit fees.

Noninterest expense for Commercial Banking was $746.3 million for 2014, compared to $633.5 million for 2013 and $572.7 million for 2012, an increase of 18% in 2014 and 11% in 2013. The increases in 2014 and 2013 were primarily due to increased salaries and employee benefits, professional fees, information systems expenses and occupancy costs.

Wealth Management

Net interest income for Wealth Management was $39.0 million for 2014, compared to $42.2 million for 2013 and $46.7 million for 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 $3.2 billion and $2.5 billion at December 31, 2014 and 2013, respectively. The decreases in net interest income in 2014 and 2013 primarily resulted from a lower earnings crediting rate, partially offset by higher average deposit balances.

Noninterest income for Wealth Management was $204.1 million for 2014, compared to $156.8 million for 2013 and $98.6 million for 2012, an increase of 30% in 2014 and 59% in 2013. Fees and other revenues increased in 2014 as a result of an increase in assets under management primarily due to cross-selling to current Bank clients, the hiring of new personnel and the addition of new clients. Beginning in 2013, fees were earned from assets acquired in the Luminous asset purchase, which contributed to the increase in 2013, along with the addition of assets under management from existing and new clients.

Noninterest expense for Wealth Management was $187.1 million for 2014, compared to $142.2 million for 2013 and $110.3 million for 2012, an increase of 32% in 2014 and 29% in 2013. The increases in 2014 and 2013 were primarily due to higher incentive compensation levels due to growth in the business, along with the addition of wealth management professionals as we continued to expand our client base capabilities in all markets to grow this segment. In addition, beginning in 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.

Assets under management or administration in the Wealth Management segment, in aggregate, were $53.4 billion at December 31, 2014, an increase of 28% compared to December 31, 2013. The following table presents the assets under management or administration by the entities comprising our Wealth Management segment:

($ in millions)	December 31, 2014	2013	2012
First Republic Investment Management	$ 27,453	$ 21,812	$ 17,000
Brokerage and Investment:			
Brokerage	17,653	12,933	8,810
Money Market Mutual Funds	2,025	941	852
Total Brokerage and Investment	19,678	13,874	9,662
Trust Company:			
Trust	3,057	3,013	2,157
Custody	3,189	2,879	2,471
Total Trust Company	6,246	5,892	4,628
Total Wealth Management Assets	$ 53,377	$ 41,578	$ 31,290

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

($ in millions)	Year Ended December 31, 2014	2013	2012
Assets under management:			
Beginning balance	$ 41,578	$ 31,290	$ 20,155
Net client flow	10,327	7,058	4,064
Market appreciation	1,472	3,230	1,180
Luminous transaction	—	—	5,891
Ending balance	$ 53,377	$ 41,578	$ 31,290

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity and fixed income, balanced and alternative investments for our clients. In addition, we employ experienced investment advisors to work with our relationship managers to generate new assets under management using an open architecture platform. Total investment advisory fees earned were $147.8 million for 2014, compared to $112.1 million for 2013 and

$59.1 million for 2012, an increase of 32% in 2014 and 90% in 2013. The increases were the result of cross-selling to current bank clients, hiring of new personnel, the addition of new clients and market appreciation. The increase in 2013 was also the result of fees earned from assets acquired in the Luminous asset purchase, which were earned beginning in 2013. Assets under management were $27.5 billion at December 31, 2014, compared to $21.8 billion at December 31, 2013, an increase of 26%.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ portfolio managers 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 portfolio managers can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $14.4 million for 2014, compared to $11.9 million for 2013 and $10.7 million for 2012, an increase of 21% in 2014 and 11% in 2013. The increases in 2014 and 2013 were primarily due to increased trading volume and higher balances of assets under administration. At December 31, 2014, we held $19.7 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $13.9 billion at December 31, 2013, an increase of 42%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware and Florida. 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 $10.5 million for 2014, compared to $9.6 million for 2013 and $8.7 million for 2012, an increase of 9% in 2014 and 10% in 2013. The increases were primarily due to increased assets under custody or administration from existing and new clients. At December 31, 2014, assets under custody or administration were $6.2 billion, compared to $5.9 billion at December 31, 2013, an increase of 6%.

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

	Year Ended December 31,		
	2014	**2013**	**2012**
First Republic Investment Management	0.60%	0.62%	0.60% [1]
Brokerage and Investment:			
Brokerage	0.09%	0.11%	0.13%
Money Market Mutual Funds	0.02%	0.04%	0.07%
Total Brokerage and Investment	0.08%	0.10%	0.12%
Trust Company:			
Trust	0.23%	0.25%	0.27%
Custody	0.11%	0.12%	0.13%
Total Trust Company	0.17%	0.18%	0.19%
Total Wealth Management	0.36%	0.38%	0.34%

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

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	December 31, 2014	2013	2012
Available-for-sale:			
U.S. Treasury and other U.S. Government agency securities	$ 556,171	$ —	$ —
Agency residential MBS	387,091	94,129	121,268
Other residential MBS	11,804	14,737	17,661
Agency commercial MBS	389,639	14,774	16,118
Other commercial MBS	—	592,875	589,661
Securities of U.S. states and political subdivisions—taxable	47,521	47,455	47,459
Collateralized loan obligations	—	805,971	167,500
Marketable equity securities	1,131	1,265	766
Total	$ 1,393,357	$ 1,571,206	$ 960,433
Held-to-maturity:			
U.S. Government-sponsored agency securities	$ 582,083	$ —	$ —
Agency residential MBS	1,052,867	—	—
Other residential MBS	1,316	1,543	1,135
Agency commercial MBS	116,085	—	—
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	3,277,636	3,027,132	2,269,526
Tax-exempt nonprofit debentures	161,583	170,678	221,306
Taxable municipal securities	53,137	53,181	53,222
Total	$ 5,244,707	$ 3,252,534	$ 2,545,189

The total combined investment securities portfolio represented 14% of total assets at December 31, 2014, compared to 11% at December 31, 2013 and 10% at December 31, 2012. During 2014, we repositioned our investment portfolio, and as part of our repositioning efforts, we sold all collateralized loan obligations and non-agency commercial MBS, which totaled $1.3 billion, and realized a net gain of approximately $23 million. The proceeds from these sales were reinvested in securities considered to be HQLA from a regulatory perspective, including U.S. Treasury and other U.S. Government agency securities, U.S. Government-sponsored agency securities, agency residential MBS and agency commercial MBS, which further enhanced our on-balance sheet liquidity.

At December 31, 2014, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio was well-diversified with an average issuer position of approximately $6.0 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.

The following table presents the remaining contractual principal maturities of debt securities and contractual yields calculated on a taxable-equivalent basis at December 31, 2014. The weighted average yield is calculated using the amortized cost of debt securities. Actual maturities for certain U.S. Government agency securities, U.S. Government-sponsored agency securities and municipal securities may occur earlier than their stated contractual maturities because the note issuers may have the right to call outstanding amounts ahead of their contractual maturities. In addition, the remaining contractual principal maturities for MBS do not consider prepayments. Expected remaining maturities for MBS can differ from contractual maturities because borrowers have the right to prepay obligations, with or without penalties, prior to contractual maturity.

			Contractual Principal—Remaining Maturity							
			Within 1 Year		After 1 Through 5 Years		After 5 Through 10 Years		After 10 Years	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-sale:										
U.S. Treasury and other U.S. Government agency securities	$ 556,171	0.56%	$235,974	0.01%	$269,073	0.61%	$ —	—%	$ 51,124	2.88%
Agency residential MBS	387,091	2.35%	—	—%	2,847	2.51%	24,251	1.79%	359,993	2.39%
Other residential MBS	11,804	2.18%	—	—%	—	—%	—	—%	11,804	2.18%
Agency commercial MBS	389,639	2.90%	—	—%	—	—%	16,080	2.55%	373,559	2.92%
Securities of U.S. states and political subdivisions—taxable	47,521	1.25%	—	—%	—	—%	—	—%	47,521	1.25%
Total carrying value of debt securities	$1,392,226		$235,974		$271,920		$ 40,331		$ 844,001	
Held-to-maturity:										
U.S. Government-sponsored agency securities	$ 582,083	3.20%	$ —	—%	$ —	—%	$582,083	3.20%	$ —	—%
Agency residential MBS	1,052,867	3.02%	—	—%	—	—%	—	—%	1,052,867	3.02%
Other residential MBS	1,316	0.64%	—	—%	—	—%	—	—%	1,316	0.64%
Agency commercial MBS	116,085	2.97%	—	—%	—	—%	—	—%	116,085	2.97%
Securities of U.S. states and political subdivisions:										
Tax-exempt municipal securities	3,277,636	6.80%	45,332	7.38%	29,019	5.96%	31,485	5.21%	3,171,800	6.81%
Tax-exempt nonprofit debentures	161,583	5.36%	—	—%	—	—%	—	—%	161,583	5.36%
Taxable municipal securities	53,137	6.34%	—	—%	—	—%	—	—%	53,137	6.34%
Total carrying value of debt securities	$5,244,707		$ 45,332		$ 29,019		$613,568		$4,556,788	
Estimated fair value of debt securities	$5,575,717		$ 48,056		$ 31,355		$618,382		$4,877,924	

Loan Portfolio

The following table presents our loan portfolio and loans held for sale by category:

($ in millions)	December 31, 2014	2013	2012	2011	2010
Unpaid principal balance:					
Single family (1-4 units)	$20,495	$19,870	$16,673	$13,538	$11,494
Home equity lines of credit	2,212	1,962	1,888	1,879	1,756
Multifamily (5+ units)	4,690	4,022	3,007	2,437	1,993
Commercial real estate	3,825	3,431	2,909	2,505	2,175
Single family construction	429	290	234	184	168
Multifamily/commercial construction	454	278	171	123	115
Total real estate mortgages	32,105	29,853	24,882	20,666	17,701
Commercial business	4,874	3,582	2,600	1,657	1,221
Other secured	436	398	392	260	193
Stock secured	285	164	145	103	25
Unsecured loans and lines of credit	231	202	280	133	88
Total other loans	5,826	4,346	3,417	2,153	1,527
Total unpaid principal balance	37,931	34,199	28,299	22,819	19,228
Net unaccreted discount	(153)	(220)	(332)	(494)	(678)
Net deferred fees and costs	31	22	20	10	1
Carrying value	37,809	34,001	27,987	22,335	18,551
Allowance for loan losses	(207)	(153)	(130)	(68)	(19)
Loans, net	37,602	33,848	27,857	22,267	18,532
Single family loans held for sale	271	59	205	306	51
Total	$37,873	$33,907	$28,062	$22,573	$18,583

The following table separates our loan portfolio as of December 31, 2014 between loans acquired on July 1, 2010 and loans originated since July 1, 2010:

($ in millions)	Composition of Loan Portfolio		
	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans at December 31, 2014
Single family (1-4 units)	$ 2,920	$ 17,575	$ 20,495
Home equity lines of credit	634	1,578	2,212
Multifamily (5+ units)	350	4,340	4,690
Commercial real estate	593	3,232	3,825
Single family construction	5	424	429
Multifamily/commercial construction	1	453	454
Commercial business loans	328	4,546	4,874
Other secured	30	406	436
Stock secured	4	281	285
Unsecured loans and lines of credit	26	205	231
Total unpaid principal balance	4,891	33,040	37,931
Net unaccreted discount	(153)	—	(153)
Net deferred fees and costs	(5)	36	31
Allowance for loan losses	(8)	(199)	(207)
Loans, net	$ 4,725	$ 32,877	$ 37,602

The following table presents an analysis of the unpaid principal balance of our loan portfolio at December 31, 2014, including single family loans held for sale, by property type and major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Single family (1-4 units)	$ 9,441	$4,705	$2,920	$1,564	$ 537	$ 75	$1,524	$20,766	54%
Home equity lines of credit	889	470	398	224	68	5	158	2,212	6%
Multifamily (5+ units)	2,550	623	504	156	450	37	370	4,690	12%
Commercial real estate	1,929	588	597	107	129	107	368	3,825	10%
Commercial business	2,036	734	948	499	216	48	393	4,874	13%
Construction	336	110	274	27	25	4	107	883	2%
Stock and other secured	181	151	80	96	11	6	196	721	2%
Unsecured	59	69	37	35	2	—	29	231	1%
Total	$17,421	$7,450	$5,758	$2,708	$1,438	$282	$3,145	$38,202	100%
% by location	46%	19%	15%	7%	4%	1%	8%	100%	

At December 31, 2014 and 2013, approximately 56% and 58%, respectively, of total loans (based on unpaid principal balance) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of the loans secured by real estate.

Single Family. We originate single family loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans have required substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At December 31, 2014, approximately $14.1 billion, or 68%, 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 $13.9 billion, or 70%, of our single family loan portfolio, at December 31, 2013. At December 31, 2014, loans of this type had a weighted average LTV of approximately 59%, based on appraised value at the time of origination and had credit scores averaging 758 at origination. Less than 1% of such home loans had an LTV at origination of more than 80%.

The following table presents the years in which amortization begins for single family loans, including loans held for sale, as of December 31, 2014:

($ in thousands)	December 31, 2014 Unpaid principal balance
Currently amortizing	$ 6,846,745
Amortization period starts in:	
2015	394,610
2016	286,067
2017	349,976
2018	665,372
2019	507,017
2020 and thereafter	11,716,063
Total	$ 20,765,850

The following table presents additional LTV information at origination for all single family loans, including loans held for sale, as of December 31, 2014:

($ in thousands)	December 31, 2014 Unpaid principal balance	 % of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 9,370,343	45.1%
Greater than 60% to 70%	6,399,629	30.8%
Greater than 70% to 80%	4,893,645	23.6%
Greater than 80% to 90%	78,713	0.4%
Greater than 90%	3,537	0.0%
Nonaccrual	19,983	0.1%
Total	$ 20,765,850	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 762, and all of our home loans were underwritten using full documentation.

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

For HELOCs that are in second lien position, the LTVs in the table below are presented on a combined basis ("CLTV"), including the total HELOC commitment and any balance on a first residential mortgage. As of December 31, 2014, approximately 36% of HELOCs are in first lien position, and approximately 44% of HELOCs are in second lien position behind a first residential mortgage originated by us, including loans subsequently sold to investors. The following table presents CLTV information at origination for HELOCs, including both the unpaid principal balance and total commitment as of December 31, 2014:

	December 31, 2014		
($ in thousands)	Unpaid principal balance	Total commitment	% of unpaid principal balance of portfolio
CLTV at Origination			
Less than or equal to 60%	$ 1,165,693	$ 3,023,495	52.7%
Greater than 60% to 70%	704,740	1,539,499	31.9%
Greater than 70% to 80%	321,528	678,628	14.5%
Greater than 80% to 90%	3,896	11,167	0.2%
Greater than 90%	558	558	0.0%
Nonaccrual	15,206	20,135	0.7%
Total	$ 2,211,621	$ 5,273,482	100.0%

The following table presents the years in which amortization begins on our HELOC portfolio as of December 31, 2014:

	December 31, 2014	
($ in thousands)	Unpaid principal balance	Total commitment
Currently amortizing	$ 73,284	$ 105,728
Amortization period starts in:		
2015	137,815	226,744
2016	147,644	250,608
2017	112,023	226,032
2018	160,934	369,230
2019	120,394	315,693
2020 and thereafter	1,459,527	3,779,447
Total	$ 2,211,621	$ 5,273,482

Multifamily. At December 31, 2014 and 2013, the unpaid principal balance of multifamily loans was $4.7 billion and $4.0 billion, respectively. At December 31, 2014 and 2013, included in this portfolio were $1.2 billion and $1.0 billion, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At December 31, 2014, for multifamily loans that allow for interest-only payments, the weighted average LTV was 57% based on the appraised value at the time of origination. Additionally, at December 31, 2014 and 2013, we had committed to lend $138.4 million and $107.2 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance under such commitments at December 31, 2014 and 2013 was $58.1 million and $53.5 million, respectively, representing 1.2% and 1.3% of the portfolio at December 31, 2014 and 2013, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate. At December 31, 2014 and 2013, the unpaid principal balance of commercial real estate loans was $3.8 billion and $3.4 billion, respectively. At December 31, 2014 and 2013, included in this portfolio were $807.0 million and $691.4 million, respectively, of loans for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans. At December 31, 2014, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 46% based on the appraised value at the time of origination. Additionally, at December 31, 2014 and 2013, we had committed to lend $170.1 million and $160.9 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance under such commitments at December 31, 2014 and 2013 was $53.0 million and $54.9 million, respectively, representing 1.4% and 1.6% of the portfolio at December 31, 2014 and 2013, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Business. At December 31, 2014 and 2013, the unpaid principal balance of commercial business loans was $4.9 billion and $3.6 billion, respectively. The following table presents the unpaid principal balance and total commitment for commercial business loans by type. As a result of the ongoing review of industry codes, certain reclassifications have been made in the table below for December 31, 2013 to conform to the current period presentation.

	December 31,			
	2014		2013	
($ in thousands)	Unpaid principal balance	Total commitment	Unpaid principal balance	Total commitment
Private Equity/Venture Capital Funds	$ 1,134,536	$ 3,045,824	$ 691,021	$ 2,088,198
Schools/Non-profit Organizations	1,949,358	2,628,255	1,480,855	2,041,468
Investment Firms	285,202	676,717	231,139	680,915
Entertainment Industry	285,113	571,509	210,148	446,527
Real Estate Related Entities	259,765	490,884	237,778	384,460
Professional Service Firms	203,521	388,256	139,595	305,251
Aviation/Marine	215,877	220,490	156,808	161,936
Clubs and Membership Organizations	147,829	188,405	149,023	177,351
Vineyards/Wine	122,831	158,122	104,433	153,332
Other	269,548	504,952	181,254	304,440
Total	$ 4,873,580	$ 8,873,414	$ 3,582,054	$ 6,743,878

The following table presents the maturity distribution of our real estate construction loans and other non-mortgage loans as of December 31, 2014. The maturity dates were determined based on the remaining scheduled principal repayment dates.

($ in thousands)	1 Year or Less	>1 Through 5 Years	>5 Years	Total
Maturity distribution:				
Commercial business	$ 1,434,880	$ 1,066,988	$ 2,371,712	$ 4,873,580
Real estate construction	455,318	425,977	795	882,090
Other secured	48,119	212,730	176,069	436,918
Stock secured	219,172	54,273	11,795	285,240
Unsecured	194,994	31,396	5,162	231,552
Total	$ 2,352,483	$ 1,791,364	$ 2,565,533	$ 6,709,380

The following table presents the distribution of our real estate construction loans and other non-mortgage loans outstanding as of December 31, 2014 that are due after one year between fixed and variable interest rates:

($ in thousands)	Fixed	Adjustable	Total
Commercial business	$ 2,582,310	$ 856,390	$ 3,438,700
Real estate construction	206,202	220,570	426,772
Other secured	72,923	315,876	388,799
Stock secured	11,992	54,076	66,068
Unsecured	8,715	27,843	36,558
Total	$ 2,882,142	$ 1,474,755	$ 4,356,897

Loan Originations. Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans, primarily for our existing clients. At December 31, 2014, 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 December 31, 2014, we have originated approximately $125 billion of loans, of which approximately $25 billion have been sold to investors.

Total loan originations were $17.0 billion in 2014 compared to $17.8 billion in 2013 and $15.5 billion in 2012, a decrease of 5% in 2014 and an increase of 15% in 2013. Loan originations decreased in 2014 primarily due to a decline in single family loan refinance activity, partially offset by an increase in purchase activity. Loan originations increased in 2013 due to continued low interest rates, an increased level of home refinances, higher home purchases and the addition of new lending personnel. The volume and type of loan originations depends on the level of interest rates, the demand for home loans in our markets and other economic conditions.

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

	Year Ended December 31,		
($ in thousands)	2014	2013	2012
Single family (1-4 units)	$ 7,932,174	$ 9,039,956	$ 8,603,111
Home equity lines of credit	1,458,448	1,271,646	1,112,655
Multifamily (5+ units)	1,443,357	1,695,073	1,185,727
Commercial real estate	998,700	1,156,273	1,044,507
Construction	894,786	868,070	496,472
Commercial business	3,445,664	3,042,350	2,190,685
Other loans	779,072	768,912	829,784
Total loans originated	$ 16,952,201	$ 17,842,280	$ 15,462,941

The following table presents the weighted average LTVs for new loans secured by real estate originated during each of the periods indicated based on the appraised value at the time of origination. The single family loan category also includes loans originated and subsequently sold to investors.

	Year Ended December 31,		
	2014	2013	2012
Single family (1-4 units)	60%	59%	59%
Home equity lines of credit [(1)]	54%	55%	56%
Multifamily (5+ units)	54%	55%	57%
Commercial real estate	50%	50%	53%
Construction	57%	53%	59%

(1) Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

The weighted average LTVs in all categories have remained consistent and conservative over the last three years and are indicative of the high quality of the Bank's underwriting standards.

The following table presents the weighted average credit scores for home loans originated during each of the periods indicated. The single family loan category also includes loans originated and subsequently sold to investors.

	Year Ended December 31,		
	2014	2013	2012
Single family (1-4 units)	762	762	764
Home equity lines of credit	764	761	756

In the past two years, we have seen a significant increase in purchase loans in our primary markets. The following table presents purchase loans and refinance loans as a percentage of total single family mortgage originations for each of the past three years:

	Year Ended December 31,		
	2014	2013	2012
Purchase loans	60%	46%	40%
Refinance loans	40%	54%	60%
Total	100%	100%	100%

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans and certain larger single family loans require two appraisals (with the lower value used for underwriting purposes). Our practice is to seldom exceed an 80% LTV on single family loans, including HELOCs. LTV ratios generally decline as the size of the loan increases. At origination, we generally do not exceed a 75% LTV on multifamily loans and a 70% LTV on commercial real estate loans.

The following table presents the weighted average LTVs based on the appraised value at the time of origination for our entire portfolio of loans secured by real estate at the dates indicated:

	December 31,	
	2014	2013
Single family (1-4 units) [(1)]	59%	60%
Home equity lines of credit [(2)]	55%	55%
Multifamily (5+ units)	57%	57%
Commercial real estate	52%	54%
Construction	56%	55%

(1) Including loans held for sale.
(2) Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

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 9% 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:

($ in thousands)	December 31, 2014	2013	2012	2011	2010
Nonaccrual loans:					
Single family (1-4 units)	$19,478	$23,994	$20,744	$13,910	$ 7,554
Home equity lines of credit	15,126	12,568	4,825	3,404	—
Multifamily (5+ units)	851	2,501	3,335	6,464	2,732
Commercial real estate	5,791	7,753	6,599	693	4,659
Single family construction	—	3,448	—	—	—
Multifamily/commercial construction	—	—	—	—	1,782
Commercial business	4,301	4,021	13,567	1,796	1,361
Other	415	207	83	106	255
Total nonaccrual loans	45,962	54,492	49,153	26,373	18,343
Other real estate owned	—	3,200	—	3,681	625
Total nonperforming assets	$45,962	$57,692	$49,153	$30,054	$18,968
Nonperforming assets to total assets	0.10%	0.14%	0.14%	0.11%	0.08%
Restructured accruing loans	$16,252	$19,984	$12,398	$ 6,674	$ 1,669
Accruing loans 90 days or more past due	$ 4,380	$ —	$ —	$ —	$ —

See Note 3 to "Item 8. Financial Statements and Supplementary Data" for information related to interest income on nonaccrual loans for the years ended December 31, 2014, 2013 and 2012.

Of the loans on nonaccrual status, at December 31, 2014, approximately $31.5 million were current, compared to $38.4 million at December 31, 2013. The majority of these loans were current in accordance with their modified payment terms.

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

Allowance for Loan Losses

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

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

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

	Year Ended				Six Months Ended	
($ in thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	June 30, 2010 (1)
Allowance for loan losses:						
Balance at beginning of period	$ 153,005	$ 129,889	$ 68,113	$ 18,809	$ 13,795	$ 45,003
Purchase accounting adjustment (2)	—	—	—	—	(13,795)	—
Provision	56,486	36,969	63,436	52,329	18,809	17,352
Transfer to BANA (3)	—	—	—	—	—	(39,164)
Charge-offs:						
Single family (1-4 units)	(259)	(153)	(544)	(1,631)	—	—
Home equity lines of credit	(1,715)	(1,076)	(321)	(352)	—	—
Multifamily (5+ units)	—	—	(384)	—	—	(748)
Commercial real estate	—	—	—	—	—	(4,798)
Commercial business	(797)	(12,157)	(237)	(878)	—	(3,747)
Other secured	—	—	—	—	—	(527)
Unsecured	(233)	(993)	(335)	(164)	—	(17)
Total charge-offs	(3,004)	(14,379)	(1,821)	(3,025)	—	(9,837)
Recoveries:						
Single family (1-4 units)	180	22	53	—	—	62
Home equity lines of credit	189	42	11	—	—	—
Multifamily (5+ units)	1	—	8	—	—	—
Commercial real estate	—	—	—	—	—	102
Commercial business	342	31	62	—	—	135
Other secured	—	—	—	—	—	68
Unsecured	143	431	27	—	—	74
Total recoveries	855	526	161	—	—	441
Net loan charge-offs	(2,149)	(13,853)	(1,660)	(3,025)	—	(9,396)
Balance at end of period	$ 207,342	$ 153,005	$ 129,889	$ 68,113	$ 18,809	$ 13,795
Average total loans for the period	$35,579,839	$30,369,778	$24,902,874	$19,852,913	$17,736,884	$18,008,755
Total loans at period end	$37,808,369	$34,000,548	$27,986,759	$22,335,594	$18,550,500	$17,353,819
Total nonaccrual loans	$ 45,962	$ 54,492	$ 49,153	$ 26,373	$ 18,343	$ 17,513
Ratios:						
Net charge-offs to:						
Average total loans (4)	0.01%	0.05%	0.01%	0.02%	—%	0.11%
Allowance for loan losses to:						
Total loans	0.55%	0.45%	0.46%	0.30%	0.10%	0.08%
Nonaccrual loans	451.1%	280.8%	264.3%	258.3%	102.5%	78.8%

(1) Represents the Predecessor period.

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

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

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

At December 31, 2014, the allowance for loan losses was 0.55% of our total loan portfolio, compared to 0.45% at December 31, 2013.

At December 31, 2014, $199.0 million of the allowance for loan losses relates to loans outstanding that were originated since July 1, 2010, and represented 0.60% of such loans outstanding at December 31, 2014, compared to 0.52% at December 31, 2013. At December 31, 2014, the allowance for loan losses on single family loans and home equity lines of credit that were originated since July 1, 2010 represented 0.14% of such loans outstanding. The allowance for loan losses on all other types of lending originated since July 1, 2010, including the unallocated allowance, was 1.24% of such loans outstanding.

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:

	Year Ended December 31,					
	2014		2013		2012	
($ in thousands)	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]	Amount
Net loan charge-offs to:						
Allowance for loan losses	0.01%	$2,149	0.05%	$13,853	0.01%	$1,660
Loan discounts	0.00%	57	0.00%	380	0.00%	286
Total	0.01%	$2,206	0.05%	$14,233	0.01%	$1,946

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

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

	December 31,					
	2014		2013		2012	
($ in thousands)	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio
Allocation of allowance for loan losses:						
Single family (1-4 units) and home equity lines of credit	$ 30,199	60%	$ 28,485	64%	$ 23,600	66%
Multifamily (5+ units)	21,800	12%	18,410	12%	19,362	11%
Commercial real estate	19,891	10%	16,314	10%	16,827	10%
Construction	3,559	2%	2,165	2%	1,592	1%
Commercial business	71,805	13%	52,197	10%	36,904	9%
Other	10,210	3%	7,749	2%	11,604	3%
Unallocated	49,878	—%	27,685	—%	20,000	—%
Total	$207,342	100%	$153,005	100%	$129,889	100%

	December 31,			
	2011		2010	
($ in thousands)	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio
Allocation of allowance for loan losses:				
Single family (1-4 units) and home equity lines of credit	$12,424	69%	$ 3,079	70%
Multifamily (5+ units)	10,753	10%	1,922	10%
Commercial real estate	6,462	11%	1,530	11%
Construction	1,197	1%	247	1%
Commercial business	20,175	7%	7,658	6%
Other	4,968	2%	880	2%
Unallocated	12,134	—%	3,493	—%
Total	$68,113	100%	$18,809	100%

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:

	Year Ended December 31,		
($ in thousands)	2014	2013	2012
Single family loans originated	$7,932,174	$9,039,956	$8,603,111
Loans sold:			
Agency	$ 135,681	$ 467,049	$ 922,475
Non-agency	4,273,851	2,196,439	1,510,905
Total loans sold	$4,409,532	$2,663,488	$2,433,380
Gain on sale of loans:			
Amount	$ 35,515	$ 36,290	$ 38,831
Gain as a percentage of loans sold (1)	0.81%	1.36%	1.60%

(1) For 2014, gain on sale of loans includes discounts established in purchase accounting, which increase gain on sale of loans. Excluding the impact of purchase accounting, the gain as a percentage of loans sold for 2014 would be 0.77%.

The lower level of gain on sales of loans for 2014 compared to 2013 and 2012 was the result of lower margins, partially offset by a higher volume of loans sold. The level of future loan originations, loan sales and loan repayments depends on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset/liability management strategies.

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

The following table presents information on loans serviced for others and net loan servicing fees:

	As of or for the Year Ended		
($ in thousands)	**2014**	**2013**	**2012**
Loans serviced for others	$9,590,361	$6,000,277	$4,580,859
Loan servicing fees, net	$ 9,701	$ 7,230	$ (5,307)

Mortgage loans serviced for investors increased to $9.6 billion at December 31, 2014, from $6.0 billion at December 31, 2013, due to increased loan sales in 2014. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At December 31, 2014, MSRs were $49.0 million (51 basis points of loans serviced), compared to $29.8 million (50 basis points of loans serviced) at December 31, 2013.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At December 31, 2014, 2013 and 2012, our total deposits were $37.1 billion, $32.1 billion and $27.1 billion, respectively. The following table presents the balances and average contractual cost of deposits:

	December 31,					
	2014		2013		2012	
($ in thousands)	**Amount**	**Weighted Ave. Cost**	**Amount**	**Weighted Ave. Cost**	**Amount**	**Weighted Ave. Cost**
Checking	$21,352,471	0.00%	$16,184,511	0.02%	$13,952,797	0.01%
Money Market ("MM") checking	5,216,253	0.05%	4,966,626	0.14%	4,104,791	0.07%
MM savings and passbooks	6,795,189	0.07%	7,025,686	0.19%	6,064,629	0.10%
CDs	3,767,016	1.33%	3,905,893	1.28%	2,966,030	1.60%
Total	$37,130,929	0.16%	$32,082,716	0.23%	$27,088,247	0.21%

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than $250,000 and all brokered deposits), provide a stable source of low cost funding. Core deposits totaled $33.9 billion and $30.7 billion at December 31, 2014 and 2013, respectively, and represented 91% and 96% of total deposits at December 31, 2014 and 2013, respectively.

On January 5, 2015, the FDIC issued additional guidance regarding the identification, acceptance and reporting of "brokered deposits." Pending any further guidance from the FDIC, we reported approximately $2.0 billion of brokered deposits on our most recent Report of Condition and Income (also known as a "Call Report"). These deposits result primarily from cash balances which are periodically swept from our client's brokerage accounts at First Republic Securities Company (our wholly-owned, broker-dealer subsidiary) into the

Bank's deposit accounts. This sweep arrangement has been in place since May 2009. As of December 31, 2014, the average and median size of such accounts was $113,000 and $9,000, respectively. As of December 31, 2014 and 2013, these sweep balances represented 5% of our total deposits.

Deposits increased 16% at December 31, 2014 compared to December 31, 2013 as the Bank continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer. The following table presents deposits by region in which the accounts are serviced. Our retail locations that gather deposits are designated as "Preferred Banking Offices."

	December 31,	
($ in thousands)	2014	2013
Preferred Banking Offices		
Northern California	$ 8,085,340	$ 7,110,284
Metropolitan New York	2,461,455	1,836,615
Southern California	1,783,959	1,573,053
Boston	770,914	563,450
Subtotal	13,101,668	11,083,402
Preferred Banking		
Northern California	8,702,420	7,395,510
Metropolitan New York	5,315,945	4,642,050
Southern California	3,237,663	2,801,450
Boston	3,110,325	3,051,468
Wealth management	947,401	404,895
Subtotal	21,313,754	18,295,373
Wealth management sweep	2,236,120	2,085,566
Other	479,387	618,375
Total deposits	$37,130,929	$32,082,716

Overall, deposits in our Preferred Banking Offices grew 18% since December 31, 2013. Checking and savings deposits in our Preferred Banking Offices increased 24% since December 31, 2013. This increase has resulted from growth of existing clients, client referrals, our general marketing initiatives, cross-selling to existing clients and the service skills of individual employees. During 2014, deposit growth has been primarily in personal and business checking accounts.

Preferred Banking deposits grew 16% since December 31, 2013. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank. These deposits grew 7% during 2014 as a result of expanding relationships with existing clients and the addition of new clients. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

The following table presents consumer and business deposits:

($ in thousands)	December 31, 2014	December 31, 2013
Consumer deposits:		
Negotiable order of withdrawal ("NOW") checking	$ 8,296,862	$ 6,702,994
MM checking	2,778,035	2,458,717
Passbook	1,548,919	1,635,443
MM savings	3,178,500	2,825,104
CDs	3,767,016	3,905,893
	19,569,332	17,528,151
Business deposits:		
Business checking	13,055,609	9,481,517
Business MM checking	2,438,218	2,507,909
Business savings	2,067,770	2,565,139
	17,561,597	14,554,565
Total	$37,130,929	$32,082,716

We fund a portion of our assets with CDs that have balances of $100,000 or more and that have maturities generally in excess of six months. At December 31, 2014 and 2013, our CDs having balances of $100,000 or more totaled $2.8 billion and $2.9 billion, respectively. At December 31, 2014, the following table presents the maturities of our CDs of $100,000 or more in size:

($ in thousands)	December 31, 2014 Greater than or equal to $100,000
Remaining maturity:	
Three months or less	$ 426,253
Over three through six months	443,359
Over six through twelve months	478,143
Over twelve months	1,461,846
Total	$2,809,601
Percent of total deposits	8%

At December 31, 2014 and 2013, the weighted average contractual rate paid on CDs was 1.33% and 1.28%, respectively. At December 31, 2014, the contractual maturities and weighted average contractual rate of our CDs were as follows:

	December 31, 2014	
($ in thousands)	Amount	Weighted Average Contractual Rate
Certificates of deposit:		
2015	$1,799,926	1.04%
2016	1,084,926	1.32%
2017	187,082	1.33%
2018	152,004	1.67%
2019	431,262	2.18%
2020 and thereafter	110,810	2.28%
Subtotal	3,766,010	1.33%
Purchase accounting premium	1,006	
Total	$3,767,016	

Other Funding

Other sources of funding include federal funds purchased, short-term and long-term FHLB advances and, beginning in the second quarter of 2014, unsecured, term, fixed-rate senior notes. 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. We had no short-term borrowings at December 31, 2014 and 2013. At December 31, 2014 and 2013, we had long-term, laddered maturity, fixed-rate FHLB advances of $5.3 billion and $5.2 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 2.4 years at December 31, 2014.

The following table presents the contractual maturities and weighted average contractual rate of our FHLB advances at December 31, 2014:

	December 31, 2014	
($ in thousands)	Amount	Weighted Average Contractual Rate
FHLB advances maturing in:		
2015	$ 775,000	1.71%
2016	1,250,000	1.40%
2017	1,350,000	1.55%
2018	1,525,000	1.59%
2019	375,000	1.95%
Total	$5,275,000	1.58%

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at December 31, 2014 was $14.0 billion and $3.3 billion, respectively. This available borrowing capacity is supported by already pledged securities and loans. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Unsecured, Term, Fixed-Rate Senior Notes

During the year ended December 31, 2014, the Bank issued $400 million of unsecured, term, fixed-rate senior notes. The senior notes bear a contractual interest rate of 2.375% and mature on June 17, 2019.

Commitments and Contractual Obligations

The following table presents information regarding our significant contractual obligations at December 31, 2014, and expected future settlement or maturity dates for these obligations. Deposit obligations categorized as "indeterminate maturity" include noninterest-bearing demand accounts, interest-bearing checking accounts, money market checking accounts, money market savings accounts and passbook accounts.

	Contractual Payments by Period					
($ in thousands)	Less Than 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Indeterminate Maturity	Total
Deposits	$1,800,933	$1,272,008	$ 583,265	$110,810	$33,363,913	$37,130,929
FHLB advances	775,000	2,600,000	1,900,000	—	—	5,275,000
Senior notes	—	—	399,512	—	—	399,512
Debt related to variable interest entities	—	—	—	36,039	—	36,039
Tax credit investments unfunded commitments	205,846	159,032	21,934	19,133	—	405,945
Operating leases, net of sublease income	$ 50,959	$ 112,037	$ 113,396	$233,263	$ —	$ 509,655

See Notes 6, 8, 10 and 11 to "Item 8. Financial Statements and Supplementary Data" for additional information regarding the contractual obligations presented in the table above. In addition, refer to Note 14 for information regarding the Bank's lending commitments.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity. At December 31, 2014, our investment securities portfolio of $6.6 billion and cash and cash equivalents of $817.2 million comprised 15% of total assets. At December 31, 2014, we increased high quality liquid assets, including eligible cash, from a regulatory perspective, to $3.2 billion.

At December 31, 2014, we had $14.0 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $3.3 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged securities. Unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 36% of total assets.

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. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

During 2014, our loan originations, net of repayments, were $7.6 billion and our investment purchases, net of sales, maturities and paydowns, were $1.7 billion. These activities were funded by a net increase in deposits of $5.0 billion and the sale of $4.4 billion of loans. In 2014, we increased our sources of liquidity by issuing $400 million unsecured, term, fixed-rate senior notes. In addition, during 2014, we sold 4.6 million shares of new common stock, which added approximately $240.0 million to common equity.

Our net purchases of investments in 2014 included $2.9 billion in assets considered to be HQLA from a regulatory perspective. As part of our repositioning efforts in 2014, we sold all collateralized loan obligations and non-agency commercial MBS investments, which totaled $1.3 billion.

We had no short-term borrowings at December 31, 2014. We primarily use short-term borrowings to fund short-term assets, such as loans held for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit changes.

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

Capital Resources

At December 31, 2014, our total equity was $4.8 billion, which included $3.9 billion of common shareholders' equity and $889.5 million of the Bank's noncumulative perpetual preferred stock. At December 31, 2013, our total equity was $4.2 billion, which included $3.3 billion of common shareholders' equity and $889.5 million of the Bank's noncumulative perpetual preferred stock. At December 31, 2014 and 2013, the Bank's noncumulative perpetual preferred stock was 20% and 23% of Tier 1 capital, respectively.

At December 31, 2014, our Tier 2 capital included the allowance for loan losses of $207.3 million and the reserve for unfunded commitments of $12.0 million. At December 31, 2013, our Tier 2 capital included the allowance for loan losses of $153.0 million and the reserve for unfunded commitments of $8.6 million.

Our capital ratios exceeded all applicable regulatory requirements at December 31, 2014 for well-capitalized institutions. As a condition of being a de novo institution, we are required to maintain a Tier 1 leverage ratio of at least 8% through our first seven years until June 30, 2017. The following table presents our capital ratios at December 31, 2014 and the then applicable standards for both well-capitalized depository institutions and minimum capital requirements:

($ in thousands)	Amount
Regulatory Capital:	
Tier 1 capital [1]	$ 4,558,821
Total capital [1]	$ 4,778,456
Assets:	
Average assets [1]	$48,338,248
Risk-weighted assets	$33,650,567

	Ratio	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:			
Leverage ratio (Tier 1 capital to average assets)	9.43%	5.00%	4.00%
Tier 1 capital to risk-weighted assets	13.55%	6.00%	4.00%
Total capital to risk-weighted assets	14.20%	10.00%	8.00%

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

We believe that, as of December 31, 2014, the Bank was "well-capitalized" under both the prompt corrective action requirements prior to January 1, 2015 and those now in effect, as described further under "Item 1. Business—Supervision and Regulation—New Capital Rules."

Current Accounting Developments

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

- In January 2014, the FASB issued amendments to ASC 310-40, "Receivables—Troubled Debt Restructurings by Creditors," which clarifies when a creditor should reclassify a foreclosed residential mortgage loan as real estate owned. Under the amendments, real estate owned should be recorded once the creditor obtains legal title to the property or has completed a deed in lieu of foreclosure or similar legal agreement. In addition, the amendments require disclosure of the amount of residential real estate owned and residential mortgage loans in the process of foreclosure. The amendments are effective for interim and annual periods beginning after December 15, 2014 and are applied on either a modified retrospective or prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on our financial condition, results of operations or cash flows.
- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. ASC 606 is effective for interim and annual periods beginning after December 15, 2016 and is applied on either a modified retrospective or full retrospective basis. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows.
- In August 2014, the FASB issued ASC 205-40, "Presentation of Financial Statements—Going Concern," which requires management to assess whether there is substantial doubt of an entity's ability to continue as a going concern within one year after the date financial statements are issued. If substantial doubt exists, disclosures are required of management's plans and whether these plans alleviate substantial doubt or not. The amendments are effective for interim and annual periods ending after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on our financial condition, results of operations or cash flows.
- In February 2015, the FASB issued amendments to ASC 810, "Consolidation," which revises existing consolidation guidance and requires all entities to be re-evaluated under this new model. The new consolidation model revises the conditions required for consolidation, including what is considered a variable interest, the criteria that a limited partnership or similar entity must meet to be considered a variable interest entity, and the criteria for determination of the primary beneficiary. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied on a modified retrospective or full retrospective basis. Early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows.

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, yield on average loans, cost of average deposits, net interest margin and the efficiency ratio.

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

In December 2012, First Republic purchased substantially all of the assets of Luminous. The amortization of intangible assets from this transaction is not an adjustment in the calculation of the Bank's non-GAAP measures in 2014 and 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:

(in thousands, except per share amounts)	Year Ended December 31, 2014	2013	2012
Non-GAAP earnings			
Net income	$ 487,006	$ 462,070	$ 401,164
Accretion/amortization added to net interest income	(71,999)	(123,579)	(186,199)
Discounts recognized in gain on sale of loans	(1,679)	—	—
Accretion added to noninterest income	—	—	(255)
Amortization of intangible assets	15,552	18,113	20,472
Add back tax impact of the above items	24,704	44,823	70,542
Non-GAAP net income	453,584	401,427	305,724
Dividends on preferred stock	(55,556)	(40,671)	(18,743)
Redemption of FRPCC preferred stock	—	—	(13,200)
Impact of FRPCC preferred stock redemption	—	—	13,200
Non-GAAP net income available to common shareholders	$ 398,028	$ 360,756	$ 286,981
GAAP earnings per common share—diluted	$ 3.07	$ 3.10	$ 2.75
Impact of purchase accounting, net of tax	(0.24)	(0.45)	(0.71)
Impact of FRPCC preferred stock redemption	—	—	0.10
Non-GAAP earnings per common share—diluted	$ 2.83	$ 2.65	$ 2.14
Weighted average diluted common shares outstanding	140,497	135,949	134,189

($ in thousands)	Year Ended December 31, 2014	2013	2012
Yield on average loans			
Interest income on loans	$ 1,271,562	$ 1,193,931	$ 1,160,522
Add: Tax-equivalent adjustment on loans	29,859	19,816	10,825
Interest income on loans (tax-equivalent basis)	1,301,421	1,213,747	1,171,347
Less: Accretion	(65,647)	(111,682)	(162,018)
Non-GAAP interest income on loans (tax-equivalent basis)	$ 1,235,774	$ 1,102,065	$ 1,009,329
Average loans	$36,271,956	$30,643,493	$25,106,210
Add: Average unaccreted loan discounts	187,097	277,231	418,583
Average loans (non-GAAP)	$36,459,053	$30,920,724	$25,524,793
Yield on average loans—reported [(1)]	3.59%	3.96%	4.66%
Contractual yield on average loans (non-GAAP) [(1)]	3.39%	3.56%	3.95%

(1) Yield is calculated on a tax-equivalent basis.

($ in thousands)	Year Ended December 31, 2014	2013	2012
Cost of average deposits			
Interest expense on deposits	$ 60,454	$ 60,817	$ 56,981
Add: Amortization of CD premiums	6,352	11,897	22,239
Non-GAAP interest expense on deposits	$ 66,806	$ 72,714	$ 79,220
Average deposits	$34,998,092	$29,311,326	$24,605,445
Less: Average unamortized CD premiums	(3,876)	(12,958)	(28,888)
Average deposits (non-GAAP)	$34,994,216	$29,298,368	$24,576,557
Cost of average deposits—reported	0.17%	0.21%	0.23%
Contractual cost of average deposits (non-GAAP)	0.19%	0.25%	0.32%

($ in thousands)	Year Ended December 31, 2014	2013	2012
Net interest margin			
Net interest income	$ 1,330,760	$ 1,224,175	$ 1,173,020
Add: Tax-equivalent adjustment	109,323	84,830	66,114
Net interest income (tax-equivalent basis)	1,440,083	1,309,005	1,239,134
Less: Accretion/amortization	(71,999)	(123,579)	(186,199)
Non-GAAP net interest income (tax-equivalent basis)	$ 1,368,084	$ 1,185,426	$ 1,052,935
Average interest-earning assets	$43,438,577	$36,165,915	$29,372,377
Add: Average unaccreted loan discounts	187,097	277,231	418,583
Average interest-earning assets (non-GAAP)	$43,625,674	$36,443,146	$29,790,960
Net interest margin—reported	3.32%	3.62%	4.22%
Net interest margin (non-GAAP)	3.14%	3.26%	3.53%

($ in thousands)	Year Ended December 31, 2014	2013	2012
Efficiency ratio			
Net interest income	$ 1,330,760	$ 1,224,175	$ 1,173,020
Less: Accretion/amortization	(71,999)	(123,579)	(186,199)
Net interest income (non-GAAP)	$ 1,258,761	$ 1,100,596	$ 986,821
Noninterest income	$ 318,355	$ 244,350	$ 168,734
Less: Discounts recognized in gain on sale of loans	(1,679)	—	—
Accretion of discounts on loan commitments	—	—	(255)
Noninterest income (non-GAAP)	$ 316,676	$ 244,350	$ 168,479
Total revenue	$ 1,649,115	$ 1,468,525	$ 1,341,754
Total revenue (non-GAAP)	$ 1,575,437	$ 1,344,946	$ 1,155,300
Noninterest expense	$ 922,746	$ 767,997	$ 676,971
Less: Intangible amortization	(15,552)	(18,113)	(20,472)
Noninterest expense (non-GAAP)	$ 907,194	$ 749,884	$ 656,499
Efficiency ratio	56.0%	52.3%	50.5%
Efficiency ratio (non-GAAP)	57.6%	55.8%	56.8%

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

Critical Accounting Policies and the Impact of Accounting Estimates

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

Allowance for Loan Losses

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

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

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

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

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

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

Life of Loans and Repayment Speed

Other significant estimates required in the preparation of our financial statements include the rate of principal repayment of loans sold to investors. The life of a loan affects the valuation of MSRs. At December 31, 2014, the carrying value of our MSRs was $49.0 million. We perform quarterly assessments of the fair value of MSRs and provide for impairment allowances whenever the fair value of the MSRs associated with a specific group of loans falls below its carrying value. When loans serviced for others prepay more rapidly than projected, we may be required to record an impairment provision on our MSRs.

Business Combinations, Goodwill and Other Intangible Assets

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

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

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

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

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

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

Interest Rate Risk Management

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

We manage interest rate risk primarily 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, long-term, laddered maturity, fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes. We have also utilized overnight and short-term borrowings to fund certain short-term assets, such as loans held for sale and floating rate investments, or to bridge temporary funding gaps, such as those brought about by client investment activity or seasonal deposit changes. As an active and ongoing part of our ALM strategy, we have regularly sold long-term, fixed-rate single family mortgage loan originations and a portion of our single family hybrid ARM loan originations into the secondary market through ongoing, or "flow," transactions. We have also historically sold a portion of our single family adjustable-rate, hybrid ARM and fixed-rate loan originations in bulk loan transactions or securitizations. We sold $4.4 billion of intermediate and longer-term, fixed-rate loans during 2014. As of December 31, 2014, we had committed to sell an additional $271.4 million of similar loans, which we expect to deliver to investors in the first quarter of 2015.

Our net interest income and net interest margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 65% of total earning assets at December 31, 2014 and 2013. Among remaining earning assets with reset periods of less than one year, those that reprice at least quarterly to market rate indices, such as Prime or LIBOR, totaled 24% of earning assets at December 31, 2014 and 25% of earning assets at December 31, 2013. Those earning assets with lagging indices, such as the Eleventh District Cost of Funds Index ("COFI") and the 12-month Treasury Average ("MTA") totaled 11% of earning assets at December 31, 2014 and 10% at December 31, 2013. Together, earning assets with reset periods of less than one year totaled 35% at December 31, 2014 and 2013.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together comprised 32% and 37% of total deposits at December 31, 2014 and 2013, 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 58% and 51% of total deposits at December 31, 2014 and 2013, respectively. CDs comprised 10% and 12% of total deposits at December 31, 2014 and 2013, respectively, and had a weighted average remaining maturity of 18.9 months and 13.4 months at the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At December 31, 2014, 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 net interest 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 movements in interest rates and the steepness of the yield curve, the level and cost of FHLB advances, prevailing market rates of new capital or debt offerings and the level of our nonaccrual loans. Our net interest margin is also affected by our overall business model, in which we offer single family home mortgages as our primary loan product, which generally carry lower coupon rates or margins.

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

Evaluation of Current Interest Rate Risk

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

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

The following table summarizes the interest rate gap analysis of our assets and liabilities at December 31, 2014:

($ in millions)	12 Months or Less	>1 to 2 Years	>2 to 5 Years	>5 Years or Not Rate Sensitive	Total
Repricing and Maturing Term Assets:					
Cash and investments	$ 1,105	$ 274	$ 1,436	$ 4,640	$ 7,455
Loans, net [(1), (2)]	16,283	4,218	10,399	6,972	37,872
Other assets	248	—	1,015	1,763	3,026
Total assets	17,636	4,492	12,850	13,375	$48,353
Liabilities and Equity:					
Checking [(3)]	$ 9,628	$ —	$ —	$11,725	$21,353
Money market checking and savings deposits [(3)]	7,440	—	—	4,571	12,011
CDs	1,800	1,085	770	112	3,767
Long-term FHLB advances	775	1,250	3,250	—	5,275
Senior notes	—	—	400	—	400
Other liabilities	2	—	—	767	769
Equity	—	—	—	4,778	4,778
Total liabilities and equity	19,645	2,335	4,420	21,953	$48,353
Repricing gap—positive (negative)	$ (2,009)	$2,157	$ 8,430	$ (8,578)	
Cumulative repricing gap:					
Dollar amount	$ (2,009)	$ 148	$ 8,578		
Percent of total assets	(4.2)%	0.3%	17.7%		

(1) Adjustable-rate loans consist principally of real estate secured loans with a maximum term of 30 years. Such loans are generally adjustable monthly, semiannually, or annually based upon changes in the LIBOR, Prime rate, COFI, MTA, or the Constant Maturity Treasury, subject generally to a maximum increase of 5% to 9% 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 has 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. We assume that approximately 40% to 50% of checking balances may migrate to adjustable-rate liabilities if interest rates were to change significantly. These assumptions are based on average account balances, changes in client type, and economic conditions affecting our clients. Also, we assume approximately 60% to 65% of money market checking and savings deposits may be sensitive to changes in interest rates.

Although we believe we are effectively managing our current exposure to changes in interest rates, we may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, the future level of loan repayments, purchases of investment securities, and changes in other assets.

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

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

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning December 31, 2014, are presented in the following table. The projections assume both (a) parallel shifts upward of 100, 200, 300 and 400 basis points and parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately (“Shock”) and (b) parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter (“Ramp”). In the current interest rate environment, a downward shift of 300 and 400 basis points does not provide meaningful results that can be utilized by management. In addition, in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
	Twelve Months Ending December 31, 2015	Twelve Months Ending December 31, 2016
Change in Market Interest Rates		
Shock:		
+400 basis points immediately	13.2%	26.7%
+300 basis points immediately	10.2%	20.8%
+200 basis points immediately	6.9%	14.2%
+100 basis points immediately	3.3%	6.9%
-100 basis points immediately	(4.3)%	(10.1)%
-200 basis points immediately	(6.5)%	(15.0)%
Ramp:		
+400 basis points over the next 12 months	6.5%	20.8%
+300 basis points over the next 12 months	4.9%	16.1%
+200 basis points over next 12 months	3.2%	10.9%
+100 basis points over next 12 months	1.5%	5.2%
-100 basis points over next 12 months	(2.5)%	(8.8)%
-200 basis points over next 12 months	(4.0)%	(13.4)%

As of December 31, 2014, the Bank is mildly asset sensitive, indicating that it would generally benefit from increases in interest rates, particularly when viewed over a two-year horizon. This assertion is supported by: (a) the aforementioned positive two-year cumulative gap of $148 million, or 0.3% of total assets, and (b) the positive variances in net interest income observed when we compare two-year earnings simulation results in rising rate scenarios to a scenario in which rates remain unchanged. In a hypothetical rising rate environment, we benefit from certain adjustable-rate loans, currently at or beneath their contractual floors, which would begin to reprice upward given an increase in interest rates, projected new loan volume modeled with increasing contractual interest rates and modeled trends in deposit balances and mix. In a hypothetical declining rate environment in which interest rates drop even lower than where they are currently, we experience a reduction in net interest income as variable funding sources, such as money market savings and checking deposits, reach natural floors while average yields on interest-earning assets continue to decline. In addition, if the current interest rates, particularly medium and longer-term rates, remain low for a prolonged period of time, we may experience further compression in our net interest margin as our weighted average loan yield continues to decline and deposit costs remain near their natural floors. Generally, simulation results depict the effect of changes in interest rates more rapidly in scenarios of immediate rate changes than in scenarios in which rates change over an extended period due primarily to differences in assumptions such as repayment speeds and yields on projected new loan volume.

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

Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding or hedging strategies.

FIRST REPUBLIC BANK
BALANCE SHEETS

Item 8. Financial Statements and Supplementary Data

(in thousands, except share amounts)	December 31, 2014	2013
ASSETS		
Cash and cash equivalents	$ 817,150	$ 807,885
Securities purchased under agreements to resell	100	100
Investment securities available-for-sale	1,393,357	1,571,206
Investment securities held-to-maturity (fair value of $5,575,717 and $3,235,912 at December 31, 2014 and 2013, respectively)	5,244,707	3,252,534
Loans	37,808,369	34,000,548
Less: Allowance for loan losses	(207,342)	(153,005)
Loans, net	37,601,027	33,847,543
Loans held for sale	271,448	58,759
Investments in life insurance	1,014,734	766,291
Tax credit investments	828,640	688,870
Prepaid expenses and other assets	750,891	680,756
Premises, equipment and leasehold improvements, net	165,703	166,544
Goodwill	106,549	106,549
Other intangible assets	110,001	132,745
Mortgage servicing rights	49,023	29,781
Other real estate owned	—	3,200
Total Assets	$48,353,330	$42,112,763
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking accounts	$12,542,881	$ 8,859,276
Interest-bearing checking accounts	8,809,590	7,325,235
Money Market (MM) checking accounts	5,216,253	4,966,626
MM savings and passbooks	6,795,189	7,025,686
Certificates of deposit	3,767,016	3,905,893
Total Deposits	37,130,929	32,082,716
Long-term FHLB advances	5,275,000	5,150,000
Senior notes	399,512	—
Debt related to variable interest entities	36,039	43,132
Other liabilities	733,383	676,868
Total Liabilities	43,574,863	37,952,716
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 889,525 shares issued and outstanding at December 31, 2014 and 2013	889,525	889,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 138,268,849 and 132,768,437 shares issued and outstanding at December 31, 2014 and 2013, respectively	1,383	1,328
Additional paid-in capital	2,313,592	2,042,027
Retained earnings	1,570,871	1,213,896
Accumulated other comprehensive income	3,096	13,271
Total Shareholders' Equity	4,778,467	4,160,047
Total Liabilities and Shareholders' Equity	$48,353,330	$42,112,763

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

($ in thousands, except per share amounts)	Year Ended December 31, 2014	2013	2012
Interest income:			
Loans	$ 1,271,562	$ 1,193,931	$ 1,160,522
Investments	207,736	159,086	124,040
Cash and cash equivalents	3,711	3,001	2,644
Total interest income	1,483,009	1,356,018	1,287,206
Interest expense:			
Deposits	60,454	60,817	56,981
Borrowings	91,795	71,026	57,205
Total interest expense	152,249	131,843	114,186
Net interest income	1,330,760	1,224,175	1,173,020
Provision for loan losses	56,486	36,969	63,436
Net interest income after provision for loan losses	1,274,274	1,187,206	1,109,584
Noninterest income:			
Investment advisory fees	147,840	112,121	59,054
Brokerage and investment fees	14,404	11,892	10,682
Trust fees	10,483	9,588	8,715
Foreign exchange fee income	19,552	13,912	11,504
Deposit fees	18,468	18,258	13,994
Gain on sale of loans	35,515	36,290	38,831
Loan servicing fees, net	9,701	7,230	(5,307)
Loan and related fees	8,658	7,515	6,291
Income from investments in life insurance	29,558	24,365	22,186
Gain on investment securities, net	21,837	531	670
Other income	2,339	2,648	2,114
Total noninterest income	318,355	244,350	168,734
Noninterest expense:			
Salaries and employee benefits	490,341	402,222	339,656
Occupancy	98,466	91,120	83,648
Information systems	95,387	79,955	72,508
Professional fees	53,429	22,488	19,848
FDIC and other deposit assessments	31,294	27,976	24,386
Advertising and marketing	25,703	25,459	25,120
Amortization of intangibles	22,744	26,147	20,472
Other expenses	105,382	92,630	91,333
Total noninterest expense	922,746	767,997	676,971
Income before provision for income taxes	669,883	663,559	601,347
Provision for income taxes	182,877	201,489	198,645
Net income before noncontrolling interests	487,006	462,070	402,702
Less: Net income from noncontrolling interests	—	—	1,538
First Republic Bank net income	487,006	462,070	401,164
Dividends on preferred stock and other	55,556	40,671	31,943
Net income available to common shareholders	$ 431,450	$ 421,399	$ 369,221
Net income before noncontrolling interests	$ 487,006	$ 462,070	$ 402,702
Other comprehensive income (loss), net of tax:			
Net unrealized gain (loss) on securities available-for-sale	2,809	(18,839)	29,702
Reclassification of gain on securities available-for-sale to net income	(13,240)	(305)	(702)
Reclassification of loss on cash flow hedges to net income	256	1,039	1,190
Other comprehensive income (loss)	(10,175)	(18,105)	30,190
Comprehensive income before noncontrolling interests	476,831	443,965	432,892
Less: Comprehensive income from noncontrolling interests	—	—	1,538
First Republic Bank comprehensive income	$ 476,831	$ 443,965	$ 431,354
Basic earnings per common share	$ 3.16	$ 3.21	$ 2.84
Diluted earnings per common share	$ 3.07	$ 3.10	$ 2.75
Dividends per common share	$ 0.54	$ 0.36	$ 0.30

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CHANGES IN EQUITY

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total First Republic Bank Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	**129,371,958**	**$ —**	**$1,294**	**$2,020,832**	**$ 497,317**	**$ 1,186**	**$2,520,629**	**$ 77,260**	**$2,597,889**
Net income	—	—	—	—	401,164	—	401,164	1,538	402,702
Other comprehensive income	—	—	—	—	—	30,190	30,190	—	30,190
Issuance of preferred stock, net	—	499,525	—	(15,940)	—	—	483,585	—	483,585
Stock compensation expense	—	—	—	21,626	—	—	21,626	—	21,626
Net issuance of common stock under stock plans	1,901,527	—	19	1,257	—	—	1,276	—	1,276
Excess tax benefits on stock compensation	—	—	—	12,754	—	—	12,754	—	12,754
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	—	(12,951)	—	—	(12,951)	(77,260)	(90,211)
Dividends on preferred stock	—	—	—	—	(18,743)	—	(18,743)	—	(18,743)
Dividends on common stock	—	—	—	—	(39,427)	—	(39,427)	—	(39,427)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(1,538)	(1,538)
Balance at December 31, 2012	**131,273,485**	**499,525**	**1,313**	**2,027,578**	**840,311**	**31,376**	**3,400,103**	**—**	**3,400,103**
Net income	—	—	—	—	462,070	—	462,070	—	462,070
Other comprehensive loss	—	—	—	—	—	(18,105)	(18,105)	—	(18,105)
Issuance of preferred stock, net	—	390,000	—	(12,051)	—	—	377,949	—	377,949
Stock compensation expense	—	—	—	27,234	—	—	27,234	—	27,234
Net issuance of common stock under stock plans	1,494,952	—	15	(31,994)	—	—	(31,979)	—	(31,979)
Excess tax benefits on stock compensation	—	—	—	31,260	—	—	31,260	—	31,260
Dividends on preferred stock	—	—	—	—	(40,671)	—	(40,671)	—	(40,671)
Dividends on common stock	—	—	—	—	(47,814)	—	(47,814)	—	(47,814)
Balance at December 31, 2013	**132,768,437**	**889,525**	**1,328**	**2,042,027**	**1,213,896**	**13,271**	**4,160,047**	**—**	**4,160,047**
Net income	—	—	—	—	487,006	—	487,006	—	487,006
Other comprehensive loss	—	—	—	—	—	(10,175)	(10,175)	—	(10,175)
Issuance of common stock, net	4,600,000	—	46	239,983	—	—	240,029	—	240,029
Stock compensation expense	—	—	—	27,457	—	—	27,457	—	27,457
Net issuance of common stock under stock plans	900,412	—	9	(16,176)	—	—	(16,167)	—	(16,167)
Excess tax benefits on stock compensation	—	—	—	20,301	—	—	20,301	—	20,301
Dividends on preferred stock	—	—	—	—	(55,556)	—	(55,556)	—	(55,556)
Dividends on common stock	—	—	—	—	(74,475)	—	(74,475)	—	(74,475)
Balance at December 31, 2014	**138,268,849**	**$889,525**	**$1,383**	**$2,313,592**	**$1,570,871**	**$ 3,096**	**$4,778,467**	**$ —**	**$4,778,467**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS

($ in thousands)	Year Ended December 31, 2014	2013	2012
Operating Activities:			
Net income before noncontrolling interests	$ 487,006	$ 462,070	$ 402,702
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	56,486	36,969	63,436
Accretion of loan discounts	(65,647)	(111,682)	(162,018)
Depreciation and amortization	52,648	54,638	35,139
Amortization of mortgage servicing rights	8,797	9,024	8,473
(Reversal of) provision for mortgage servicing rights in excess of fair value, net	(5)	(1,876)	7,209
Loans originated for sale	(822,098)	(1,378,920)	(1,417,615)
Proceeds from sales and principal repayments of loans held for sale	825,848	1,551,830	1,368,275
Deferred income taxes	(41,363)	12,162	(26,810)
Gain on sale of loans	(35,515)	(36,290)	(38,831)
Gain on investment securities, net	(21,837)	(531)	(670)
Other net (gains) losses	(301)	—	2,410
Noncash cost of stock awards	27,457	27,234	21,626
Excess tax benefits on stock compensation	(20,301)	(31,260)	(12,754)
Decrease in other assets	42,925	32,718	36,297
Increase (decrease) in other liabilities	2,263	(63,865)	152,631
Net Cash Provided by Operating Activities	496,363	562,221	439,500
Investing Activities:			
Loan originations, net of principal collections	(7,592,404)	(6,937,014)	(6,385,310)
Loans purchased	(110,753)	(207,319)	(24,595)
Loans sold	3,655,437	1,140,183	1,104,233
Purchases of securities available-for-sale	(2,014,795)	(814,215)	(307,457)
Proceeds from sales of securities available-for-sale	2,234,032	203,459	58,798
Proceeds from maturities and paydowns of securities available-for-sale	55,139	36,913	53,094
Purchases of securities held-to-maturity	(2,030,702)	(763,284)	(476,147)
Proceeds from sales, maturities and paydowns of securities held-to-maturity	46,488	57,575	25,188
Purchases of FHLB stock	(23,500)	(120,414)	(45,744)
Proceeds from redemptions of FHLB stock	17,625	40,655	—
Purchases of investments in life insurance	(219,975)	(40,000)	(93,000)
Net change in securities purchased under agreements to resell	—	30,801	(26,011)
Net change in tax credit investments	(169,747)	(166,853)	(130,485)
Additions to premises, equipment and leasehold improvements, net	(42,070)	(60,580)	(55,061)
Proceeds from sales of other assets	8,461	—	5,575
Cash paid for acquisition	—	—	(126,313)
Net Cash Used for Investing Activities	(6,186,764)	(7,600,093)	(6,423,235)
Financing Activities:			
Net increase in deposits	5,051,157	5,006,735	4,648,520
Net decrease in short-term borrowings	—	(75,000)	(25,000)
Proceeds from long-term FHLB advances	500,000	2,000,000	1,050,000
Repayment of long-term FHLB advances	(375,000)	—	—
Proceeds from issuance of senior notes	399,456	—	—
Payment of senior notes issuance costs	(3,199)	—	—
Repayment of subordinated notes	—	—	(63,770)
Decrease in debt related to variable interest entities	(7,093)	(13,318)	(15,573)
Net proceeds from issuance of preferred stock	—	377,949	483,585
Net proceeds from issuance of common stock	240,029	—	—
Proceeds from issuance of common stock under employee stock purchase plan	3,851	2,507	1,660
Proceeds from stock options exercised	195	1,845	12,962
Excess tax benefits on stock compensation	20,301	31,260	12,754
Redemption of noncontrolling interests in subsidiary's preferred stock	—	—	(90,211)
Dividends on preferred stock	(55,556)	(40,671)	(18,743)
Dividends on common stock	(74,475)	(47,814)	(39,427)
Dividends to noncontrolling interests	—	—	(1,538)
Net Cash Provided by Financing Activities	5,699,666	7,243,493	5,955,219
Increase (Decrease) in Cash and Cash Equivalents	9,265	205,621	(28,516)
Cash and Cash Equivalents at the Beginning of Period	807,885	602,264	630,780
Cash and Cash Equivalents at the End of Period	$ 817,150	$ 807,885	$ 602,264
Supplemental Disclosure of Cash Flow Items			
Cash paid during period:			
Interest	$ 158,331	$ 141,451	$ 143,980
Income taxes	$ 103,873	$ 122,129	$ 179,089
Transfer of loans to held for sale	$ 3,866,258	$ 1,150,941	$ 916,286
Transfer of loans to securities available-for-sale	$ 98,931	$ 76,964	$ —
Transfer of repossessed assets from loans to other assets	$ 3,648	$ 3,353	$ 1,966

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 29 years and the current legal entity has been operating since July 1, 2010.

Our consolidated financial statements include the accounts of First Republic and its wholly-owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Trust Company of Delaware LLC ("FRTC Delaware") and First Republic Lending Corporation ("FRLC"). The consolidated financial statements also include the accounts of First Republic Preferred Capital Corporation ("FRPCC"), which merged into FRLC during the third quarter of 2013. All significant intercompany balances and transactions have been eliminated. In addition, our consolidated financial statements include certain real estate mortgage investment conduits ("REMICs") that were formed in 2000 through 2002, which are variable interest entities ("VIEs") that the Bank consolidates as the primary beneficiary.

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

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

Nature of Operations

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

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

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

Use of Estimates

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

Reclassifications

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

Investment Securities

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

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

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

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

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

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

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

Loans

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

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

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

Allowance for Loan Losses and Loan Charge-Offs

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

The principal sources of guidance on accounting for impairment in a loan portfolio are ASC 450, "Contingencies," and ASC 310-10-35, "Receivables—Subsequent Measurement." Under the provisions of ASC 310-10-35, a loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Nonaccrual loans with a balance greater than or equal to $1 million or loans modified in a troubled debt restructuring are generally considered impaired. The Bank measures impairment of a loan that is collateral dependent based on the fair value of the underlying collateral, net of selling costs. For a loan that is not collateral dependent, the Bank measures impairment using the present value of expected future cash flows, discounted at the instrument's effective interest rate. If the fair value of the collateral or the present value of expected future cash flows is less than the recorded investment in the loan, the Bank recognizes impairment by recording a charge-off or creating a valuation allowance.

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

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

In addition, federal banking agencies will periodically review our allowance for loan losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to adjust our determination of the amount of allowance for loan losses, nonaccrual loans or other real estate owned.

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

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

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

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

Other Real Estate Owned

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

Investments in Life Insurance

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

Tax Credit Investments

In accordance with ASC 323-740, "Investments—Equity Method and Joint Ventures—Income Taxes," the initial cost of the Bank's low income housing tax credit ("tax credit") investments is amortized over the life of the investment using a proportional amortization method. Under the proportional amortization method, amortization expense recognized each period is based on the amount of tax credits and other tax benefits for the period as a percentage of expected total tax credits and other tax benefits of the investment. Amortization expense is presented as a component of provision for income taxes on the statement of income.

Selling and Servicing Loans

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

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

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

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

Goodwill and Other Identifiable Intangible Assets

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

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

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

Premises, Equipment and Leasehold Improvements

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

Income Taxes

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

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

A tax position that meets the “more likely than not” recognition threshold is measured to determine the amount of benefits to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Interest and penalties are recognized as a component of income tax expense.

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

Statement of Cash Flows

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

Derivative Instruments and Hedging Activities

The Bank follows ASC 815, “Derivatives and Hedging,” for the accounting and reporting of derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. On the date that the Bank enters into a derivative contract, the Bank designates the derivative contract as either a hedge of the fair value of a recognized asset or liability (“fair value” hedge), a hedge of the variability of cash flows related to a recognized asset or liability (“cash flow” hedge) or a contract that does not qualify for hedge accounting (“freestanding derivative”). The Bank records all derivatives at fair value as either other assets or other liabilities. The Bank accounts for changes in fair value of a derivative based on the designation, which is determined by its intended use. There were no derivative instruments in a fair value or cash flow hedging relationship in 2014, 2013 or 2012.

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

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

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

Share-Based Compensation

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

The Bank measures the compensation cost of stock options based on the fair value of the options at the grant date and recognizes compensation expense over the requisite service periods. Restricted stock units, performance share units and restricted stock awards are valued at the closing market price of the Bank’s common stock at the date of grant and compensation expense is recognized over the vesting period.

Investment Advisory, Brokerage and Investment and Trust Fees

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

Accounting Standard Adopted in 2014

During the year ended December 31, 2014, the following accounting pronouncement was adopted by the Bank:

- In July 2013, the Financial Accounting Standards Board ("FASB") issued amendments to ASC 740-10, "Income Taxes," which require an entity with a net operating loss carryforward, a tax credit carryforward or a similar tax loss to present unrecognized tax benefits as a reduction in deferred tax assets in the statement of financial position when certain criteria are met. The amendments are effective for interim and annual periods beginning after December 15, 2013 and 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.

Recent Accounting Pronouncements

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

- In January 2014, the FASB issued amendments to ASC 310-40, "Receivables—Troubled Debt Restructurings by Creditors," which clarifies when a creditor should reclassify a foreclosed residential mortgage loan as real estate owned. Under the amendments, real estate owned should be recorded once the creditor obtains legal title to the property or has completed a deed in lieu of foreclosure or similar legal agreement. In addition, the amendments require disclosure of the amount of residential real estate owned and residential mortgage loans in the process of foreclosure. The amendments are effective for interim and annual periods beginning after December 15, 2014 and are applied on either a modified retrospective or prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Bank's financial condition, results of operations or cash flows.
- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. ASC 606 is effective for interim and annual periods beginning after December 15, 2016 and is applied on either a modified retrospective or full retrospective basis. Early adoption is not permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.
- In August 2014, the FASB issued ASC 205-40, "Presentation of Financial Statements—Going Concern," which requires management to assess whether there is substantial doubt of an entity's ability to continue as a going concern within one year after the date financial statements are issued. If substantial doubt exists, disclosures are required of management's plans and whether these plans alleviate substantial doubt or not. The amendments are effective for interim and annual periods ending after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Bank's financial condition, results of operations or cash flows.

- In February 2015, the FASB issued amendments to ASC 810, "Consolidation," which revises existing consolidation guidance and requires all entities to be re-evaluated under this new model. The new consolidation model revises the conditions required for consolidation, including what is considered a variable interest, the criteria that a limited partnership or similar entity must meet to be considered a variable interest entity, and the criteria for determination of the primary beneficiary. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied on a modified retrospective or full retrospective basis. Early adoption is permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

Note 2. Investment Securities

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

	December 31, 2014			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 554,892	$ 1,345	$ (66)	$ 556,171
Agency residential mortgage-backed securities ("MBS")	383,956	3,758	(623)	387,091
Other residential MBS	12,127	—	(323)	11,804
Agency commercial MBS	389,254	454	(69)	389,639
Securities of U.S. states and political subdivisions—taxable	47,231	290	—	47,521
Marketable equity securities	480	651	—	1,131
Total	$1,387,940	$ 6,498	$(1,081)	$1,393,357
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 582,083	$ 3,195	$ (38)	$ 585,240
Agency residential MBS	1,052,867	10,827	(162)	1,063,532
Other residential MBS	1,316	52	(2)	1,366
Agency commercial MBS	116,085	—	(147)	115,938
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,277,636	300,896	(701)	3,577,831
Tax-exempt nonprofit debentures	161,583	4,492	—	166,075
Taxable municipal securities	53,137	12,598	—	65,735
Total	$5,244,707	$332,060	$(1,050)	$5,575,717

($ in thousands)	December 31, 2013 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Agency residential MBS	$ 94,960	$ 544	$ (1,375)	$ 94,129
Other residential MBS	15,182	—	(445)	14,737
Agency commercial MBS	15,288	—	(514)	14,774
Other commercial MBS	562,109	31,362	(596)	592,875
Securities of U.S. states and political subdivisions—taxable	47,225	230	—	47,455
Collateralized loan obligations	812,408	2	(6,439)	805,971
Marketable equity securities	480	785	—	1,265
Total	$1,547,652	$32,923	$ (9,369)	$1,571,206
Held-to-maturity:				
Other residential MBS	$ 1,543	$ 76	$ —	$ 1,619
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,027,132	57,552	(75,369)	3,009,315
Tax-exempt nonprofit debentures	170,678	1,251	(6,257)	165,672
Taxable municipal securities	53,181	6,125	—	59,306
Total	$3,252,534	$65,004	$(81,626)	$3,235,912

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the "FHLB") to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At December 31, 2014 and 2013, the carrying value of investment securities pledged was $3.2 billion and $2.9 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:

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale:						
U.S. Treasury and other U.S. government agency securities	$ (66)	$349,553	$ —	$ —	$ (66)	$349,553
Agency residential MBS	(217)	73,351	(406)	9,311	(623)	82,662
Other residential MBS	(323)	11,804	—	—	(323)	11,804
Agency commercial MBS	(69)	159,062	—	—	(69)	159,062
Total	$(675)	$593,770	$(406)	$ 9,311	$(1,081)	$603,081
Held-to-maturity:						
U.S. Government-sponsored agency securities	$ (38)	$ 55,412	$ —	$ —	$ (38)	$ 55,412
Agency residential MBS	(162)	78,589	—	—	(162)	78,589
Other residential MBS	(2)	480	—	—	(2)	480
Agency commercial MBS	(147)	115,938	—	—	(147)	115,938
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	(43)	6,810	(658)	72,004	(701)	78,814
Total	$(392)	$257,229	$(658)	$72,004	$(1,050)	$329,233

	December 31, 2013					
	Less than 12 months		12 months or more		Total	
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale:						
Agency residential MBS	$ (330)	$ 13,680	$(1,045)	$ 9,060	$ (1,375)	$ 22,740
Other residential MBS	(445)	14,736	—	—	(445)	14,736
Agency commercial MBS	(514)	14,775	—	—	(514)	14,775
Other commercial MBS	(596)	62,804	—	—	(596)	62,804
Collateralized loan obligations	(6,439)	741,994	—	—	(6,439)	741,994
Total	$ (8,324)	$ 847,989	$(1,045)	$ 9,060	$ (9,369)	$ 857,049
Held-to-maturity:						
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	$(67,012)	$1,330,479	$(8,357)	$59,957	$(75,369)	$1,390,436
Tax-exempt nonprofit debentures	(6,257)	74,314	—	—	(6,257)	74,314
Total	$(73,269)	$1,404,793	$(8,357)	$59,957	$(81,626)	$1,464,750

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 Bank does not intend to sell the available-for-sale or held-to-maturity investment securities included in the tables above 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.

Agency Residential MBS and Agency Commercial MBS. At December 31, 2014, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to the increase in longer-term market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by the U.S. Government or agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Tax-Exempt Municipal Securities. At December 31, 2014, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the increases in longer-term interest rates since the securities were purchased 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 and conducts its internal credit analysis to determine if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

During 2014, the Bank recognized other-than-temporary impairment charges on held-to-maturity debt securities from one municipal issuer, which resulted in an impairment loss of $899,000 included in earnings. The write-down was recorded in response to a significant deterioration in the creditworthiness of the issuer of these securities. The Bank sold these securities, which had a carrying value of $2.3 million, in 2014.

During 2012, the Bank sold held-to-maturity debt securities from one municipal issuer, which had a carrying value of $6.8 million. The sale was in response to a significant deterioration in the creditworthiness of the issuer of this security.

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

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

The following table presents proceeds received from sales of investment securities:

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Available-for-sale:			
Sales proceeds	$2,234,032	$203,459	$58,798
Held-to-maturity:			
Sales proceeds	$ 1,969	$ —	$ 7,201

The following table presents gains and losses realized on investment securities:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Available-for-sale:			
Gross realized gains on sales	$28,921	$1,341	$ 1,220
Gross realized losses on sales	(5,896)	(810)	—
Other-than-temporary impairment	—	—	(1,000)
Held-to-maturity:			
Gross realized gains on sales	—	—	450
Gross realized losses on sales	(289)	—	—
Other-than-temporary impairment	(899)	—	—
Total gain on investment securities, net	$21,837	$ 531	$ 670

The following table presents interest and dividend income on investments:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Interest income on tax-exempt securities	$137,663	$112,537	$ 94,928
Interest income on taxable securities	51,967	37,656	27,704
Dividend income on FHLB stock	18,106	8,893	1,408
Total	$207,736	$159,086	$124,040

The following table presents contractual maturities of debt securities available-for-sale and held-to-maturity. Actual maturities for certain U.S. Government agency securities, U.S. Government-sponsored agency securities and municipal securities may occur earlier than their stated contractual maturities because the note issuers may have the right to call outstanding amounts ahead of their contractual maturities. In addition, the remaining contractual principal maturities for MBS do not consider prepayments. Expected remaining maturities for MBS can differ from contractual maturities because borrowers have the right to prepay obligations, with or without penalties, prior to contractual maturity.

	December 31, 2014		2013	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-sale:				
Due in one year or less	$ 235,997	$ 235,974	$ —	$ —
Due after one year through five years	271,717	271,920	3,536	3,562
Due after five years through ten years	39,894	40,331	159,356	158,090
Due after ten years	839,851	844,001	1,384,280	1,408,289
Total debt securities	$ 1,387,460	$ 1,392,226	$ 1,547,172	$ 1,569,941
Held-to-maturity:				
Due in one year or less	$ 45,332	$ 48,056	$ —	$ —
Due after one year through five years	29,019	31,355	5,672	5,726
Due after five years through ten years	613,568	618,382	4,511	4,733
Due after ten years	4,556,788	4,877,924	3,242,351	3,225,453
Total debt securities	$ 5,244,707	$ 5,575,717	$ 3,252,534	$ 3,235,912

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 December 31, 2014, approximately 56% of the total loan portfolio was secured by California real estate, compared to 58% at December 31, 2013. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans. At December 31, 2014, approximately 68% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 70% at December 31, 2013.

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

	December 31, 2014			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 20,494,402	$ (91,395)	$ 51,461	$ 20,454,468
Home equity lines of credit	2,211,621	(9,130)	11,031	2,213,522
Multifamily (5+ units)	4,689,692	(11,110)	(9,249)	4,669,333
Commercial real estate	3,824,835	(31,112)	(8,758)	3,784,965
Single family construction	428,358	(423)	(2,805)	425,130
Multifamily/commercial construction	453,732	(60)	(4,331)	449,341
Total real estate mortgages	32,102,640	(143,230)	37,349	31,996,759
Commercial business	4,873,580	(8,754)	(6,982)	4,857,844
Other secured	436,918	(355)	265	436,828
Stock secured	285,240	(2)	551	285,789
Unsecured loans and lines of credit	231,552	(423)	20	231,149
Total other loans	5,827,290	(9,534)	(6,146)	5,811,610
Total loans	$ 37,929,930	$ (152,764)	$ 31,203	$ 37,808,369
Less:				
Allowance for loan losses				(207,342)
Loans, net				37,601,027
Single family loans held for sale				271,448
Total				$ 37,872,475

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

The Bank had pledged $21.9 billion and $20.1 billion of loans to secure borrowings from the FHLB as of December 31, 2014 and 2013, respectively, although only approximately $5.9 billion and $6.4 billion, respectively, were required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At December 31, 2014 and 2013, purchased credit-impaired loans had an unpaid principal balance of $94.8 million and $123.3 million, respectively, and a carrying value of $85.7 million and $109.9 million, respectively.

The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances of $39,000 for 2014 and $165,000 for 2012. The Bank recorded no reductions to the nonaccretable difference for charge-offs of loan balances during 2013.

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

($ in thousands)	At or for the Year Ended December 31, 2014	2013	2012
Accretable yield:			
Balance at beginning of period	$ 10,220	$ 20,123	$ 24,368
Accretion	(8,948)	(16,881)	(16,938)
Reclassification from nonaccretable difference for loans with improving cash flows	1,124	4,582	3,927
Increase in expected cash flows	6,644	8,390	9,647
Resolutions/payments in full	(967)	(5,994)	(881)
Balance at end of period	$ 8,073	$ 10,220	$ 20,123

($ in thousands)	At or for the Year Ended December 31, 2014	2013	2012
Allowance:			
Balance at beginning of period	$ 473	$ 1,626	$ 461
Provision	581	1,414	2,482
Reversal of provision	(729)	(2,611)	(1,206)
Charge-offs	(484)	—	(124)
Recoveries	327	44	13
Balance at end of period	$ 168	$ 473	$ 1,626

Credit Quality

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of December 31, 2014 and 2013. Of the loans on nonaccrual status, at December 31, 2014, $31.5 million were current, compared to $38.4 million at December 31, 2013. The majority of these loans were current in accordance with their modified payment terms.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2014								
Single Family (1-4 units):								
Purchased non-impaired	$ 923	$ 343	$ 1,503	$ 2,769	$ 2,789,268	$ 2,792,037	$1,503	$ 106
Purchased non-impaired that subsequently became impaired	—	1,014	7,086	8,100	15,322	23,422	—	18,736
Purchased credit-impaired	—	161	—	161	10,902	11,063	—	161
Originated post June 30, 2010 non-impaired	3,941	—	2,760	6,701	17,620,682	17,627,383	2,285	475
Originated post June 30, 2010 impaired	—	—	—	—	563	563	—	—
	4,864	1,518	11,349	17,731	20,436,737	20,454,468	3,788	19,478
Home Equity Lines of Credit:								
Purchased non-impaired	854	1,726	592	3,172	608,673	611,845	592	—
Purchased non-impaired that subsequently became impaired	179	—	185	364	7,710	8,074	—	7,051
Purchased credit-impaired	272	—	—	272	3,997	4,269	—	273
Originated post June 30, 2010 non-impaired	238	—	—	238	1,581,294	1,581,532	—	—
Originated post June 30, 2010 impaired	—	5,065	—	5,065	2,737	7,802	—	7,802
	1,543	6,791	777	9,111	2,204,411	2,213,522	592	15,126
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	317,202	317,202	—	—
Purchased credit-impaired	—	—	—	—	20,188	20,188	—	453
Originated post June 30, 2010 non-impaired	—	—	—	—	4,330,823	4,330,823	—	—
Originated post June 30, 2010 impaired	—	—	—	—	1,120	1,120	—	398
	—	—	—	—	4,669,333	4,669,333	—	851
Commercial Real Estate:								
Purchased non-impaired	2,729	—	—	2,729	525,948	528,677	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	5,791	5,791	—	5,791
Purchased credit-impaired	—	—	—	—	26,148	26,148	—	—
Originated post June 30, 2010 non-impaired	349	—	—	349	3,224,000	3,224,349	—	—
	3,078	—	—	3,078	3,781,887	3,784,965	—	5,791
Single Family Construction:								
Purchased non-impaired	—	—	—	—	4,263	4,263	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	420,867	420,867	—	—
	—	—	—	—	425,130	425,130	—	—

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, 2014								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,091	1,091	—	—
Originated post June 30, 2010 non-impaired	—	3,942	—	3,942	444,308	448,250	—	—
	—	3,942	—	3,942	445,399	449,341	—	—
Commercial Business:								
Purchased non-impaired	—	1,080	—	1,080	294,476	295,556	—	699
Purchased credit-impaired	—	—	—	—	23,432	23,432	—	2,196
Originated post June 30, 2010 non-impaired	—	—	—	—	4,537,963	4,537,963	—	513
Originated post June 30, 2010 impaired	—	—	—	—	893	893	—	893
	—	1,080	—	1,080	4,856,764	4,857,844	—	4,301
Other Secured:								
Purchased non-impaired	—	—	—	—	30,098	30,098	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	406,730	406,730	—	—
	—	—	—	—	436,828	436,828	—	—
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,215	4,215	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	281,574	281,574	—	—
	—	—	—	—	285,789	285,789	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	2	17	—	19	25,139	25,158	—	372
Purchased credit-impaired	—	—	—	—	578	578	—	43
Originated post June 30, 2010 non-impaired	205	—	—	205	205,208	205,413	—	—
	207	17	—	224	230,925	231,149	—	415
Total	$9,692	$13,348	$12,126	$35,166	$37,773,203	$37,808,369	$4,380	$45,962

Loan Aging:

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

Loan Aging *(continued)*:

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

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

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Actual interest income recognized	$ 56	$ 270	$ 37
Interest income under original terms	$ 1,682	$ 1,842	$ 1,295

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

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

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

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

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

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

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

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

The following tables present the recorded investment in loans, by credit quality indicator and by class, at December 31, 2014 and 2013:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2014					
Single Family (1-4 units):					
Purchased non-impaired	$ 2,771,950	$ 2,109	$ 17,978	$ —	$ 2,792,037
Purchased non-impaired that subsequently became impaired	—	—	23,422	—	23,422
Purchased credit-impaired	10,443	—	620	—	11,063
Originated post June 30, 2010 non-impaired	17,616,218	4,420	6,745	—	17,627,383
Originated post June 30, 2010 impaired	—	563	—	—	563
	20,398,611	7,092	48,765	—	20,454,468
Home Equity Lines of Credit:					
Purchased non-impaired	599,985	5,532	6,328	—	611,845
Purchased non-impaired that subsequently became impaired	—	—	8,074	—	8,074
Purchased credit-impaired	3,997	—	272	—	4,269
Originated post June 30, 2010 non-impaired	1,580,663	—	869	—	1,581,532
Originated post June 30, 2010 impaired	—	—	7,802	—	7,802
	2,184,645	5,532	23,345	—	2,213,522
Multifamily (5+ units):					
Purchased non-impaired	312,536	3,466	1,200	—	317,202
Purchased credit-impaired	11,111	7,185	1,892	—	20,188
Originated post June 30, 2010 non-impaired	4,320,840	—	9,983	—	4,330,823
Originated post June 30, 2010 impaired	—	—	1,120	—	1,120
	4,644,487	10,651	14,195	—	4,669,333
Commercial Real Estate:					
Purchased non-impaired	493,188	26,020	9,469	—	528,677
Purchased non-impaired that subsequently became impaired	—	—	5,791	—	5,791
Purchased credit-impaired	13,775	—	12,373	—	26,148
Originated post June 30, 2010 non-impaired	3,210,599	9,490	4,260	—	3,224,349
	3,717,562	35,510	31,893	—	3,784,965
Single Family Construction:					
Purchased non-impaired	1,713	—	2,550	—	4,263
Originated post June 30, 2010 non-impaired	420,178	689	—	—	420,867
	421,891	689	2,550	—	425,130
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,091	—	1,091
Originated post June 30, 2010 non-impaired	436,285	11,965	—	—	448,250
	436,285	11,965	1,091	—	449,341
Commercial Business:					
Purchased non-impaired	278,457	3,959	12,441	699	295,556
Purchased credit-impaired	16,683	3,843	2,906	—	23,432
Originated post June 30, 2010 non-impaired	4,508,960	11,011	17,965	27	4,537,963
Originated post June 30, 2010 impaired	—	—	893	—	893
	4,804,100	18,813	34,205	726	4,857,844
Other Secured:					
Purchased non-impaired	30,098	—	—	—	30,098
Originated post June 30, 2010 non-impaired	406,730	—	—	—	406,730
	436,828	—	—	—	436,828
Stock Secured:					
Purchased non-impaired	4,215	—	—	—	4,215
Originated post June 30, 2010 non-impaired	281,574	—	—	—	281,574
	285,789	—	—	—	285,789
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	24,195	—	591	372	25,158
Purchased credit-impaired	535	—	43	—	578
Originated post June 30, 2010 non-impaired	204,236	—	1,177	—	205,413
	228,966	—	1,811	372	231,149
Total	$ 37,559,164	$ 90,252	$ 157,855	$ 1,098	$ 37,808,369

Credit Quality Indicators:

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

Allowance for Loan Losses

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

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

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

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

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

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

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	Stock Secured	Unsecured Loans and Lines of Credit	Unallocated	Total
At or for the Year Ended December 31, 2014												
Allowance for loan losses:												
Beginning balance	$ 22,972	$ 5,513	$ 18,410	$ 16,314	$ 548	$ 1,617	$ 52,197	$ 4,511	$ 557	$ 2,681	$27,685	$ 153,005
Provision	1,962	1,357	3,389	3,577	70	1,324	20,063	570	427	1,554	22,193	56,486
Charge-offs	(259)	(1,715)	—	—	—	—	(797)	—	—	(233)	—	(3,004)
Recoveries	180	189	1	—	—	—	342	—	—	143	—	855
Ending balance	$ 24,855	$ 5,344	$ 21,800	$ 19,891	$ 618	$ 2,941	$ 71,805	$ 5,081	$ 984	$ 4,145	$49,878	$ 207,342
Ending balance: purchased loans evaluated collectively for impairment	$ 1,267	$ 531	$ 188	$ 1,347	$ 92	$ —	$ 2,615	$ —	$ —	$ 518	$ —	$ 6,558
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 912	$ 701	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,613
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 98	$ —	$ —	$ 70	$ —	$ —	$ —	$ —	$ 168
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 22,670	$ 4,075	$ 21,612	$ 18,446	$ 526	$ 2,941	$ 69,120	$ 5,081	$ 984	$ 3,627	$49,878	$ 198,960
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 6	$ 37	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 43
Loans:												
Ending balance	$20,454,468	$2,213,522	$4,669,333	$3,784,965	$425,130	$449,341	$4,857,844	$436,828	$285,789	$231,149		$37,808,369
Ending balance: purchased loans evaluated collectively for impairment	$ 2,792,037	$ 611,845	$ 317,202	$ 528,677	$ 4,263	$ 1,091	$ 295,556	$ 30,098	$ 4,215	$ 25,158		$ 4,610,142
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 23,422	$ 8,074	$ —	$ 5,791	$ —	$ —	$ —	$ —	$ —	$ —		$ 37,287
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 11,063	$ 4,269	$ 20,188	$ 26,148	$ —	$ —	$ 23,432	$ —	$ —	$ 578		$ 85,678
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$17,627,383	$1,581,532	$4,330,823	$3,224,349	$420,867	$448,250	$4,537,963	$406,730	$281,574	$205,413		$33,064,884
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 563	$ 7,802	$ 1,120	$ —	$ —	$ —	$ 893	$ —	$ —	$ —		$ 10,378

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	Stock Secured	Unsecured Loans and Lines of Credit	Unallocated	Total
At or for the Year Ended December 31, 2013												
Allowance for loan losses:												
Beginning balance	$ 18,698	$ 4,902	$ 19,362	$ 16,827	$ 452	$ 1,140	$ 36,904	$ 6,505	$ 468	$ 4,631	$20,000	$ 129,889
Provision (reversal of provision)	4,405	1,645	(952)	(513)	96	477	27,419	(1,994)	89	(1,388)	7,685	36,969
Charge-offs	(153)	(1,076)	—	—	—	—	(12,157)	—	—	(993)	—	(14,379)
Recoveries	22	42	—	—	—	—	31	—	—	431	—	526
Ending balance	$ 22,972	$ 5,513	$ 18,410	$ 16,314	$ 548	$ 1,617	$ 52,197	$ 4,511	$ 557	$ 2,681	$27,685	$ 153,005
Ending balance: purchased loans evaluated collectively for impairment	$ 1,304	$ 1,372	$ 230	$ 923	$ 147	$ —	$ 1,885	$ —	$ —	$ 217	$ —	$ 6,078
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,173	$ 780	$ 20	$ 27	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,000
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 300	$ —	$ —	$ 173	$ —	$ —	$ —	$ —	$ 473
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 20,049	$ 3,354	$ 18,160	$ 14,721	$ 332	$ 1,617	$ 50,139	$ 4,511	$ 557	$ 2,464	$27,685	$ 143,589
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 7	$ —	$ 343	$ 69	$ —	$ —	$ —	$ —	$ —	$ —	$ 865
Loans:												
Ending balance	$19,789,910	$1,958,102	$3,995,742	$3,372,886	$287,557	$274,112	$3,559,835	$397,132	$164,109	$201,163		$34,000,548
Ending balance: purchased loans evaluated collectively for impairment	$ 3,615,099	$ 745,719	$ 421,520	$ 770,725	$ 6,607	$ 1,090	$ 313,151	$ 36,655	$ 4,346	$ 39,968		$ 5,954,880
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 25,477	$ 8,948	$ 2,016	$ 6,892	$ —	$ —	$ —	$ —	$ —	$ —		$ 43,333
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 13,306	$ 4,253	$ 32,090	$ 28,868	$ —	$ —	$ 30,795	$ —	$ —	$ 625		$ 109,937
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$16,135,582	$1,197,071	$3,540,116	$2,566,020	$277,502	$273,022	$3,215,889	$360,477	$159,763	$160,570		$27,886,012
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 2,111	$ —	$ 381	$ 3,448	$ —	$ —	$ —	$ —	$ —		$ 6,386
At or for the Year Ended December 31, 2012												
Allowance for loan losses:												
Beginning balance	$ 9,072	$ 3,352	$ 10,753	$ 6,462	$ 347	$ 850	$ 20,175	$ 2,917	$ 317	$ 1,734	$12,134	$ 68,113
Provision	10,117	1,860	8,985	10,365	105	290	16,904	3,588	151	3,205	7,866	63,436
Charge-offs	(544)	(321)	(384)	—	—	—	(237)	—	—	(335)	—	(1,821)
Recoveries	53	11	8	—	—	—	62	—	—	27	—	161
Ending balance	$ 18,698	$ 4,902	$ 19,362	$ 16,827	$ 452	$ 1,140	$ 36,904	$ 6,505	$ 468	$ 4,631	$20,000	$ 129,889

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 $12.0 million and $8.6 million at December 31, 2014 and 2013, respectively.

The following table presents charge-off and allowance ratios:

($ in thousands)	At or for the Year Ended December 31, 2014	2013	2012
Average total loans for the period	$ 35,579,839	$ 30,369,778	$ 24,902,874
Total loans at period end	$ 37,808,369	$ 34,000,548	$ 27,986,759
Ratios:			
Net charge-offs to:			
Average total loans	0.01%	0.05%	0.01%
Allowance for loan losses to:			
Total loans	0.55%	0.45%	0.46%
Nonaccrual loans	451.1%	280.8%	264.3%

Impaired Loans

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

Impaired Loans:

	Year Ended December 31, 2014		At December 31, 2014						
			Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):									
Purchased credit-impaired	$ 11,530	$1,116	$ 11,063	$ 12,179	$11,063	$ 12,179	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	23,608	163	23,422	24,092	9,096	9,487	14,326	14,605	912
Originated post June 30, 2010 impaired	1,670	3	563	562	—	—	563	562	6
	36,808	1,282	35,048	36,833	20,159	21,666	14,889	15,167	918
Home Equity Lines of Credit:									
Purchased credit-impaired	3,431	237	4,269	4,472	4,269	4,472	—	—	—
Purchased non-impaired that subsequently became impaired	8,996	85	8,074	8,167	180	182	7,894	7,985	701
Originated post June 30, 2010 impaired	5,595	—	7,802	7,794	7,078	7,054	724	740	37
	18,022	322	20,145	20,433	11,527	11,708	8,618	8,725	738
Multifamily (5+ units):									
Purchased credit-impaired	23,185	3,004	20,188	21,271	20,188	21,271	—	—	—
Purchased non-impaired that subsequently became impaired	615	—	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	521	12	1,120	1,123	1,120	1,123	—	—	—
	24,321	3,016	21,308	22,394	21,308	22,394	—	—	—
Commercial Real Estate:									
Purchased credit-impaired	27,182	2,330	26,148	30,274	15,218	17,075	10,930	13,199	98
Purchased non-impaired that subsequently became impaired	6,147	—	5,791	5,791	5,791	5,791	—	—	—
Originated post June 30, 2010 impaired	29	—	—	—	—	—	—	—	—
	33,358	2,330	31,939	36,065	21,009	22,866	10,930	13,199	98
Single Family Construction:									
Originated post June 30, 2010 impaired	1,591	—	—	—	—	—	—	—	—
Commercial Business:									
Purchased credit-impaired	26,734	2,197	23,432	25,811	19,391	21,590	4,041	4,221	70
Purchased non-impaired that subsequently became impaired	176	—	—	—	—	—	—	—	—
Originated post June 30, 2010 impaired	491	—	893	894	893	894	—	—	—
	27,401	2,197	24,325	26,705	20,284	22,484	4,041	4,221	70
Unsecured Loans and Lines of Credit:									
Purchased credit-impaired	589	48	578	759	578	759	—	—	—
Total	$142,090	$9,195	$133,343	$143,189	$94,865	$101,877	$38,478	$41,312	$1,824

Impaired Loans:

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

Impaired Loans:

($ in thousands)	Year Ended December 31, 2012 Average Recorded Investment	Interest Income Recognized
Single Family (1-4 units):		
Purchased credit-impaired	$ 12,112	$ 988
Purchased non-impaired that subsequently became impaired	18,846	305
Originated post June 30, 2010 impaired	1,890	—
	32,848	1,293
Home Equity Lines of Credit:		
Purchased credit-impaired	6,983	1,182
Purchased non-impaired that subsequently became impaired	3,194	9
Originated post June 30, 2010 impaired	418	—
	10,595	1,191
Multifamily (5+ units):		
Purchased credit-impaired	64,290	4,577
Purchased non-impaired that subsequently became impaired	2,285	—
	66,575	4,577
Commercial Real Estate:		
Purchased credit-impaired	68,538	6,317
Purchased non-impaired that subsequently became impaired	989	—
	69,527	6,317
Single Family Construction:		
Originated post June 30, 2010 impaired	796	37
Multifamily/Commercial Construction:		
Purchased credit-impaired	1,756	120
Commercial Business:		
Purchased credit-impaired	32,783	3,182
Purchased non-impaired that subsequently became impaired	2,667	5
Originated post June 30, 2010 impaired	1,300	3
	36,750	3,190
Other Secured:		
Purchased credit-impaired	4,983	396
Unsecured Loans and Lines of Credit:		
Purchased credit-impaired	989	103
Total	$224,819	$17,224

Troubled Debt Restructurings

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

The following tables summarize our loans modified by troubled debt restructurings, by portfolio segment and class, at December 31, 2014 and 2013:

Troubled Debt Restructurings:

($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total
At December 31, 2014			
Single Family (1-4 units):			
Purchased non-impaired	$ —	$ 5,745	$ 5,745
Purchased non-impaired that subsequently became impaired	12,278	—	12,278
Purchased credit-impaired	—	2,617	2,617
Originated post June 30, 2010 non-impaired	—	1,366	1,366
	12,278	9,728	22,006
Home Equity Lines of Credit:			
Purchased non-impaired	—	1,068	1,068
Purchased non-impaired that subsequently became impaired	5,806	1,023	6,829
Purchased credit-impaired	—	149	149
Originated post June 30, 2010 impaired	2,737	—	2,737
	8,543	2,240	10,783
Multifamily (5+ units):			
Purchased non-impaired	—	1,990	1,990
Purchased credit-impaired	453	1,439	1,892
Originated post June 30, 2010 impaired	398	—	398
	851	3,429	4,280
Commercial Real Estate:			
Purchased non-impaired	—	855	855
Purchased non-impaired that subsequently became impaired	5,791	—	5,791
	5,791	855	6,646
Commercial Business:			
Purchased credit-impaired	2,196	—	2,196
Originated post June 30, 2010 impaired	527	—	527
	2,723	—	2,723
Total	$30,186	$16,252	$46,438

Troubled Debt Restructurings:

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

During 2014, 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:

	Year Ended December 31,		
($ in thousands)	2014	2013	2012
Single Family (1-4 units):			
Purchased non-impaired	$ —	$ 1,119	$ 3,196
Purchased non-impaired that subsequently became impaired	3,575	7,149	5,490
Purchased credit-impaired	—	—	835
Originated post June 30, 2010 non-impaired	—	—	4,520
Originated post June 30, 2010 impaired	—	—	1,094
	3,575	8,268	15,135
Home Equity Lines of Credit:			
Purchased non-impaired	—	2,510	1,809
Purchased non-impaired that subsequently became impaired	—	3,868	—
Originated post June 30, 2010 non-impaired	600	—	—
Originated post June 30, 2010 impaired	—	300	—
	600	6,678	1,809
Multifamily (5+ units):			
Purchased credit-impaired	—	545	—
Originated post June 30, 2010 non-impaired	402	—	—
	402	545	—
Commercial Real Estate:			
Purchased non-impaired	—	483	248
Purchased non-impaired that subsequently became impaired	—	806	6,500
Originated post June 30, 2010 non-impaired	—	394	—
	—	1,683	6,748
Commercial Business:			
Purchased non-impaired that subsequently became impaired	—	8,681	876
Purchased credit-impaired	—	3,356	—
Originated post June 30, 2010 non-impaired	200	—	—
Originated post June 30, 2010 impaired	—	4,228	—
	200	16,265	876
Total	$ 4,777	$ 33,439	$ 24,568

The majority of the Bank's restructured loans are considered impaired and are evaluated individually for impairment under ASC 310-10-35. The resulting impairment, if any, would have an impact on the allowance for loan losses as a specific reserve and be measured under the same criteria as all other impaired loans. For those restructured loans that are purchased credit-impaired, any required allowance is evaluated based upon ASC 310-30. Certain restructured accruing loans may be deemed non-impaired and would therefore be evaluated for estimated losses under ASC 450. No loans defaulted during 2014 or 2012 that were modified in the previous 12 months. During 2013, loans related to one nonperforming commercial business loan relationship that were modified during the previous 12 months defaulted, and $12.0 million of charge-offs were recorded.

Note 4. Mortgage Banking Activities

The recorded value of MSRs is amortized in proportion to, and over the period of, estimated net servicing income. The Bank values MSRs by stratifying loans sold each year by property type, loan index for adjustable-rate mortgages ("ARMs") and interest rate for loans fixed for more than three years.

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

	Year Ended December 31,		
($ in thousands)	2014	2013	2012
Loans originated	$16,952,201	$17,842,280	$15,462,941
Single family loans originated	$ 7,932,174	$ 9,039,956	$ 8,603,111
Loans sold:			
Flow sales	$ 597,193	$ 814,819	$ 1,283,908
Bulk sales	3,812,339	1,848,669	1,149,472
Total loans sold	$ 4,409,532	$ 2,663,488	$ 2,433,380
Gain on sale of loans:			
Amount	$ 35,515	$ 36,290	$ 38,831
Gain as a percentage of loans sold [1]	0.81%	1.36%	1.60%

[1] For 2014, gain on sale of loans includes discounts established in purchase accounting, which increase gain on sale of loans. Excluding the impact of purchase accounting, the gain as a percentage of loans sold for 2014 would be 0.77%.

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:

($ in thousands)	At or for the Year Ended December 31, 2014	2013	2012
Loans serviced for others:			
Beginning balance	$ 6,000,277	$ 4,580,859	$ 3,381,385
Loans sold	4,409,532	2,663,488	2,433,380
Repayments	(813,494)	(1,118,751)	(1,176,767)
Loans purchased	—	(101,110)	—
Loans repurchased	(5,954)	(24,209)	(3,752)
Servicing transferred	—	—	(43,158)
Consolidation of variable interest entities	—	—	(10,229)
Ending balance	$ 9,590,361	$ 6,000,277	$ 4,580,859
MSRs:			
Beginning balance	$ 29,781	$ 17,786	$ 17,269
Additions due to new loans sold	28,073	20,102	16,206
Amortization expense	(8,797)	(9,024)	(8,473)
Provision for valuation allowance	—	—	(7,209)
Reversal of valuation allowance	5	1,876	—
Reductions due to purchases	—	(799)	—
Reductions due to repurchases	(39)	(160)	(7)
Ending balance	$ 49,023	$ 29,781	$ 17,786
Estimated fair value of MSRs	$ 69,258	$ 43,549	$ 22,576
MSRs as a percent of loans serviced	0.51%	0.50%	0.39%
Weighted average servicing fee collected for the period	0.26%	0.26%	0.27%
MSRs as a multiple of weighted average servicing fee	2.00x	1.90x	1.45x

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

($ in thousands)	At or for the Year Ended December 31, 2014	2013	2012
Valuation allowance:			
Beginning balance	$ 9	$ 4,240	$ 1,668
Provision	—	—	7,209
Reversal to income due to increase in fair value	(5)	(1,876)	—
Write-down due to permanent impairment	(4)	(2,355)	(4,637)
Ending balance	$ —	$ 9	$ 4,240

The following table presents servicing fees:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Contractually specified servicing fees	$18,493	$14,378	$10,375
Late charges and ancillary fees, net of costs	$ 1,483	$ 1,380	$ 1,097

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:

($ in thousands)	December 31, 2014	December 31, 2013
Fair value of MSRs	$ 69,258	$ 43,549
Weighted average prepayment speed (CPR)	11.5%	10.8%
Impact on fair value of 10% adverse change	$ (3,531)	$ (2,220)
Impact on fair value of 20% adverse change	$ (6,672)	$ (4,220)
Weighted average discount rate	12.5%	11.4%
Impact on fair value of 10% adverse change	$ (2,260)	$ (1,325)
Impact on fair value of 20% adverse change	$ (4,379)	$ (2,571)

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 December 31, 2014 and 2013, 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:

	December 31, 2014		
($ in thousands)	VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 1,316	$ —	$ 1,316
Loans	—	62,683	62,683
Tax credit investments	828,640	—	828,640
MSRs	49,023	—	49,023
Total Assets	878,979	62,683	941,662
Liabilities:			
Unfunded commitments—tax credit investments	405,945	—	405,945
Debt	—	36,039	36,039
Total Liabilities	405,945	36,039	441,984
Net Assets	$ 473,034	$ 26,644	$ 499,678

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

The Bank's exposure to loss with respect to the consolidated VIEs is limited to the investment in the securities purchased of approximately $26.6 million at December 31, 2014 and $32.7 million at December 31, 2013. 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 $879.0 million at December 31, 2014 and $720.2 million at December 31, 2013.

Note 6. Tax Credit Investments

The Bank invests in low income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits. The cost of tax credit investments is amortized over the life of the investment using a proportional amortization method and tax credit investment amortization expense is a component of provision for income taxes.

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

($ in thousands)	December 31, 2014	December 31, 2013
Tax credit investments	$828,640	$688,870
Unfunded commitments—tax credit investments	$405,945	$371,874

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

($ in thousands)	December 31, 2014
Unfunded commitments:	
2015	$ 205,846
2016	136,533
2017	22,499
2018	19,259
2019	2,675
2020 and thereafter	19,133
Total	$ 405,945

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

($ in thousands)	Year Ended December 31, 2014	2013	2012
Tax credits and other tax benefits recognized	$89,372	$63,980	$38,110
Tax credit amortization expense included in provision for income taxes	$64,048	$44,162	$26,059

The Bank did not recognize any impairment losses on tax credit investments during 2014, 2013 or 2012.

Note 7. Prepaid Expenses and Other Assets

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

($ in thousands)	December 31, 2014	December 31, 2013
FHLB stock, at cost	$ 247,925	$ 242,050
Deferred tax assets	167,266	127,311
Interest receivable	144,219	131,537
Foreign exchange derivatives	29,290	11,415
Mutual fund receivable	—	15,887
Other assets	117,887	125,681
Other prepaid expenses	44,304	26,875
Total	$ 750,891	$ 680,756

Note 8. Premises, Equipment and Leasehold Improvements

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

($ in thousands)	December 31, 2014	December 31, 2013
Land, buildings and improvements	$ 1,320	$ 1,318
Furniture, equipment and software	119,467	96,331
Leasehold improvements	175,737	154,976
Construction-in-progress	8,532	10,825
Total	305,056	263,450
Less: accumulated depreciation and amortization	(139,353)	(96,906)
Premises, equipment and leasehold improvements, net	$ 165,703	$ 166,544

Depreciation and amortization expense was $42.8 million in 2014, $35.7 million in 2013 and $28.9 million in 2012.

Rent and related occupancy expense, net of sublease income, was $51.6 million in 2014, $48.3 million in 2013 and $45.8 million in 2012.

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

($ in thousands)	December 31, 2014
Operating leases:	
2015	$ 50,959
2016	56,139
2017	55,898
2018	58,052
2019	55,344
2020 and thereafter	233,263
Total	$ 509,655

Note 9. Goodwill and Other Intangible Assets

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

($ in thousands)	December 31, 2014 Gross Carrying Value	December 31, 2014 Accumulated Amortization	December 31, 2013 Gross Carrying Value	December 31, 2013 Accumulated Amortization
Amortized intangible assets:				
MSRs, before valuation allowance	$ 77,803	$ (28,780)	$ 58,247	$ (28,457)
Core deposit intangibles	87,550	(60,887)	87,550	(50,396)
Customer relationship intangibles	83,940	(43,502)	83,940	(31,249)
Total amortized intangibles	$ 249,293	$ (133,169)	$ 229,737	$ (110,102)
Goodwill	$ 106,549		$ 106,549	
Trade name	$ 42,900		$ 42,900	

The following table presents goodwill by business segment:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2012, 2013 and 2014	$24,604	$81,945	$106,549

The Bank is required to test goodwill for impairment at least annually at the reporting unit level. The Bank did not recognize any impairment in 2014, 2013 or 2012 based on the results of the annual test.

The following table presents the estimated future amortization for amortizable intangible assets as of December 31, 2014. The projections of amortization expense are based on existing asset balances as of December 31, 2014. Future amortization expense may vary from these projections.

($ in thousands)	MSRs	Core deposit intangibles	Customer relationship intangibles
2015	$ 9,805	$ 8,755	$ 10,588
2016	7,844	7,018	8,923
2017	6,275	5,282	7,258
2018	5,020	3,545	5,593
2019	$ 4,016	$ 1,809	$ 3,928

Note 10. Deposits

At December 31, 2014, the annual contractual maturities of the Bank's certificates of deposit were as follows:

($ in thousands)	December 31, 2014
Certificates of deposit:	
2015	$ 1,799,926
2016	1,084,926
2017	187,082
2018	152,004
2019	431,262
2020 and thereafter	110,810
Subtotal	3,766,010
Purchase accounting premium	1,006
Total	$ 3,767,016

At December 31, 2014, certificates of deposit of $100,000 or more totaled $2.8 billion, or 8% of total deposits, compared to $2.9 billion, or 9% of total deposits, at December 31, 2013.

The following table presents interest expense on deposits:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Interest-bearing checking	$ 2,062	$ 2,012	$ 1,511
MM checking	5,573	6,668	4,841
MM savings and passbooks	11,118	16,118	14,109
Certificates of deposit	41,701	36,019	36,520
Total	$ 60,454	$ 60,817	$ 56,981

Purchase accounting adjustments are amortized and recorded as a reduction to interest expense over the contractual life of the certificates of deposit using a level yield methodology. For 2014, 2013 and 2012, interest expense on certificates of deposit was reduced by $6.4 million, $11.9 million and $22.2 million of purchase accounting premium amortization, respectively. The remaining purchase accounting premium of $1.0 million will be amortized in 2015.

At December 31, 2014, approximately 1% of our deposit relationships hold approximately 41% of total deposits, compared to 42% at December 31, 2013.

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

The Bank has historically used FHLB advances primarily as a source for long-term borrowings, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased and senior notes. The following table presents the carrying values and interest expense on short-term borrowings and long-term debt:

	Carrying Values		Interest Expense		
	December 31,		Year Ended December 31,		
($ in thousands)	2014	2013	2014	2013	2012
Short-term borrowings:					
Federal funds purchased	$ —	$ —	$ —	$ 69	$ —
FHLB advances	—	—	—	699	8
Total	—	—	—	768	8
Long-term debt:					
FHLB advances	5,275,000	5,150,000	85,584	69,353	54,593
Senior notes	399,512	—	5,529	—	—
Subordinated notes	—	—	—	—	1,545
Total	5,674,512	5,150,000	91,113	69,353	56,138
Other long-term debt:					
Debt related to VIEs	36,039	43,132	682	905	1,059
Total borrowings	$ 5,710,551	$ 5,193,132	$ 91,795	$ 71,026	$ 57,205

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. Generally, the Bank's short-term borrowings are adjustable-rate in nature. At December 31, 2014, all of the FHLB advances were fixed-rate for a specific term. At December 31, 2014, the contractual maturities and weighted average contractual rates of FHLB advances were as follows:

($ in thousands)	December 31, 2014	
	Amount	Rate
FHLB advances maturing in:		
2015	$ 775,000	1.71%
2016	1,250,000	1.40%
2017	1,350,000	1.55%
2018	1,525,000	1.59%
2019	375,000	1.95%
Total	$ 5,275,000	1.58%

The Bank is required to own FHLB stock at least equal to 4.7% of outstanding FHLB advances. The Bank records FHLB stock at cost. In connection with outstanding FHLB advances, the Bank owned FHLB stock of $247.9 million and $242.1 million at December 31, 2014 and 2013, respectively.

The Bank issued $400 million of unsecured senior notes on June 17, 2014. The senior notes bear a contractual fixed interest rate of 2.375% and mature on June 17, 2019. The carrying value of the senior notes is net of unamortized issuance discounts. The issuance discounts, along with deferred issuance costs, are amortized into interest expense over the contractual life of the senior notes using a level yield methodology.

Note 12. Derivative Financial Instruments

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

The Bank has derivative assets and liabilities consisting of foreign exchange contracts executed with customers; the Bank offsets the customer exposure with another financial institution counterparty, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The amounts presented in the table below include the foreign exchange contracts with both the customers and the financial institution counterparties.

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

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

($ in thousands)	December 31, 2014 Notional or Contractual Amount	2014 Fair value Derivative Assets [1]	2014 Fair value Derivative Liabilities [2]	December 31, 2013 Notional or Contractual Amount	2013 Fair value Derivative Assets [1]	2013 Fair value Derivative Liabilities [2]
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	$ 1,446,775	$ 29,290	$ 28,994	$ 462,089	$ 11,415	$ 10,685
Interest rate contracts with borrowers	$ 35,880	29	31	$ 22,725	—	154
Forward loan sale commitments	$ 306,418	104	102	$ 81,251	154	—
Total		$ 29,423	$ 29,127		$ 11,569	$ 10,839

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

The credit risk associated with these derivative instruments is the risk of non-performance by the counterparties to the contracts. The Bank's counterparty credit risk is equal to the amount reported as a derivative asset on the Bank's balance sheet. To mitigate this risk, the Bank enters into master netting and bilateral collateral agreements with certain counterparties. These agreements allow the Bank to settle its derivative contracts with such counterparties on a net basis and to offset the net derivative exposure 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:

($ in thousands)	Total	Contracts Not Subject to Master Netting Arrangements	Contracts Subject to Master Netting Arrangements					
						Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Derivative Amount	Cash Collateral [1]	Net Amount
December 31, 2014								
Derivative assets:								
Foreign exchange contracts	$ 29,290	$ 10,540	$ 18,750	$—	$ 18,750	$ 11,116	$ 6,610	$1,024
Derivative liabilities:								
Foreign exchange contracts	$ 28,994	$ 17,878	$ 11,116	$—	$ 11,116	$ 11,116	$ —	$ —
December 31, 2013								
Derivative assets:								
Foreign exchange contracts	$ 11,415	$ 4,726	$ 6,689	$—	$ 6,689	$ 4,837	$ 1,852	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 10,685	$ 5,848	$ 4,837	$—	$ 4,837	$ 4,837	$ —	$ —

(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:

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$(448)	$(1,806)	$(2,070)

The Bank estimates that the remaining unrealized losses from terminated hedges of $31,000 will be reclassified from accumulated other comprehensive income into interest expense by the first quarter of 2015.

Note 13. Fair Value Measurements

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

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value. Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgment. Changes in the assumptions used could significantly affect these estimates. The Bank has not adjusted fair values to reflect changes in market conditions subsequent to December 31, 2014 and 2013; 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 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 U.S. Treasury securities and 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 third-party valuation sources. Management reviewed the valuation techniques and assumptions used by the providers 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.

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.

Senior notes: The fair value is based on the most recent quoted market price for this issue.

Debt related to VIEs: 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:

($ in thousands)	Fair Value Measurements on a Recurring Basis December 31, 2014 Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 505,047	$ 51,124	$ —	$ 556,171
Agency residential MBS	—	387,091	—	387,091
Other residential MBS	—	11,804	—	11,804
Agency commercial MBS	—	389,639	—	389,639
Securities of U.S. states and political subdivisions—taxable	—	—	47,521	47,521
Marketable equity securities	1,131	—	—	1,131
Derivative assets	—	29,423	—	29,423
Total	$ 506,178	$ 869,081	$ 47,521	$ 1,422,780
Liabilities:				
Derivative liabilities	$ —	$ 29,127	$ —	$ 29,127

($ in thousands)	Fair Value Measurements on a Recurring Basis December 31, 2013 Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
Agency residential MBS	$ —	$ 94,129	$ —	$ 94,129
Other residential MBS	—	14,737	—	14,737
Agency commercial MBS	—	14,774	—	14,774
Other commercial MBS	—	592,875	—	592,875
Securities of U.S. states and political subdivisions—taxable	—	—	47,455	47,455
Collateralized loan obligations	—	805,971	—	805,971
Marketable equity securities	1,265	—	—	1,265
Derivative assets	—	11,569	—	11,569
Total	$ 1,265	$ 1,534,055	$ 47,455	$ 1,582,775
Liabilities:				
Derivative liabilities	$ —	$ 10,839	$ —	$ 10,839

There were no transfers in or out of Levels 1 and 2 in 2014 or 2013.

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

($ in thousands)	Year Ended December 31, 2014	2013	2012
Available-for-sale securities of U.S. states and political subdivisions—taxable:			
Balance at beginning of period	$ 47,455	$ 47,459	$ —
Purchases	—	—	47,214
Unrealized gains (losses) included in other comprehensive income	60	(11)	241
Accretion included in interest income	6	7	4
Balance at end of period	$ 47,521	$ 47,455	$ 47,459

There were no transfers in or out of Level 3 assets measured on a recurring basis during 2014, 2013 or 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 December 31, 2014 and 2013, 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 December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
MSRs	$—	$—	$164	$164

($ in thousands)	Fair Value Measurements on a Nonrecurring Basis December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$—	$—	$ 109	$ 109
MSRs	—	—	10,316	10,316
Other real estate owned	—	—	3,200	3,200
Total	$—	$—	$ 13,625	$ 13,625

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

($ in thousands)	Year Ended December 31, 2014	2013	2012
Assets:			
Real estate secured mortgages	$ —	$ (126)	$ (84)
MSRs	5	1,876	(7,209)
Other real estate owned	—	(153)	—
Total	$ 5	$ 1,597	$ (7,293)

Level 3 Inputs

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

	December 31, 2014			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,521	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 164	Present value of estimated future servicing income	Estimated prepayment rate Discount rate	21.0% 12.0%

	December 31, 2013			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,455	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 10,316	Present value of estimated future servicing income	Estimated prepayment rate Discount rate	13.0% 11.0%

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:

	December 31, 2014			
		Fair Value		
($ in thousands)	Carrying Amount	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 817,150	$817,150	$ —	$ —
Securities purchased under agreements to resell	100	100	—	—
Investment securities held-to-maturity:				
U.S. Government-sponsored agency securities	582,083	—	585,240	—
Agency residential MBS	1,052,867	—	1,063,532	—
Other residential MBS	1,316	—	1,366	—
Agency commercial MBS	116,085	—	115,938	—
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,277,636	—	3,444,826	133,005
Tax-exempt nonprofit debentures	161,583	—	—	166,075
Taxable municipal securities	53,137	—	65,735	—
Loans, net:				
Real estate secured mortgages	31,897,819	—	20,462,173	11,146,634
Other loans	5,703,208	—	—	5,334,811
Loans held for sale	271,448	—	271,621	—
Investments in life insurance	1,014,734	—	—	1,014,734
MSRs	49,023	—	—	69,258
FHLB stock	247,925	—	—	247,925
Liabilities:				
Deposits:				
Deposits with no maturity	33,363,913	—	33,363,913	—
Certificates of deposit	3,767,016	—	—	3,793,719
Long-term FHLB advances	5,275,000	—	5,314,537	—
Senior notes	399,512	—	401,308	—
Debt related to VIEs	$ 36,039	$ —	$ 34,100	$ —

($ in thousands)	December 31, 2013 Carrying Amount	Fair Value Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 807,885	$807,885	$ —	$ —
Securities purchased under agreements to resell	100	100	—	—
Investment securities held-to-maturity:				
Other residential MBS	1,543	—	1,619	—
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,027,132	—	2,873,239	136,076
Tax-exempt nonprofit debentures	170,678	—	—	165,672
Taxable municipal securities	53,181	—	59,306	—
Loans, net:				
Real estate secured mortgages	29,598,770	—	19,654,435	9,471,100
Other loans	4,248,773	—	—	3,946,776
Loans held for sale	58,759	—	58,759	—
Investments in life insurance	766,291	—	—	766,291
MSRs	29,781	—	—	43,549
FHLB stock	242,050	—	—	242,050
Liabilities:				
Deposits:				
Deposits with no maturity	28,176,823	—	28,176,823	—
Certificates of deposit	3,905,893	—	—	3,951,506
Long-term FHLB advances	5,150,000	—	5,188,240	—
Debt related to VIEs	$ 43,132	$ —	$ 41,023	$ —

Note 14. Commitments and Contingencies

At December 31, 2014 and 2013, the Bank had conditional commitments to originate loans of $727.1 million and $601.8 million, respectively, and to disburse additional funds on existing loans and lines of credit of $9.2 billion and $7.5 billion, respectively. In addition, the Bank had undisbursed standby letters of credit of $308.6 million and $296.0 million at December 31, 2014 and 2013, respectively. The Bank's commitments to originate loans are agreements to lend to a client as long as there is no violation of any of several credit or other established conditions. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements.

The Bank has been named as a defendant in legal actions arising in the ordinary course of business, none of which, in the opinion of management, is material.

Note 15. Preferred Stock

At December 31, 2014, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 889,525 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the issued and outstanding shares for each series of the Bank's preferred stock:

(in thousands, except share amounts)	December 31, 2014	December 31, 2013
6.70% Noncumulative Perpetual Series A Preferred Stock—199,525 shares authorized, issued and outstanding at December 31, 2014 and 2013	$199,525	$199,525
6.20% Noncumulative Perpetual Series B Preferred Stock—150,000 shares authorized, issued and outstanding at December 31, 2014 and 2013	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding at December 31, 2014 and 2013	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock—200,000 shares authorized; 190,000 shares issued and outstanding at December 31, 2014 and 2013	190,000	190,000
7.00% Noncumulative Perpetual Series E Preferred Stock—200,000 shares authorized, issued and outstanding at December 31, 2014 and 2013	200,000	200,000
Total	$889,525	$889,525

The 6.70% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock") was issued on January 24, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $193.3 million. The public offering consisted of 7,981,000 depositary shares, each representing a 1/40th interest in a share of the Series A Preferred Stock, at a public offering price of $25.00 per depositary share. The Series A Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after January 30, 2017.

The 6.20% Noncumulative Perpetual Series B Preferred Stock ("Series B Preferred Stock") was issued on June 1, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $145.2 million. The public offering consisted of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Series B Preferred Stock, at a public offering price of $25.00 per depositary share. The Series B Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 1, 2017.

The 5.625% Noncumulative Perpetual Series C Preferred Stock ("Series C Preferred Stock") was issued on November 23, 2012. Net proceeds, after underwriting discounts and expenses, were approximately $145.1 million. The public offering consisted of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Series C Preferred Stock, at a public offering price of $25.00 per depositary share. The Series C Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after December 29, 2017.

The 5.50% Noncumulative Perpetual Series D Preferred Stock ("Series D Preferred Stock") was issued on April 23, 2013 and April 30, 2013. Net proceeds, after underwriting discounts and expenses, were approximately $183.8 million. The public offering consisted of 7,600,000 depositary shares, each representing a 1/40th interest in a share of Series D Preferred Stock, at a public offering price of $25.00 per depositary share. The Series D Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 29, 2018.

The 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock") was issued on October 28, 2013. Net proceeds, after underwriting discounts and expenses, were approximately $194.1 million. The public offering consisted of 8,000,000 depositary shares, each representing a 1/40th interest in a share of Series E Preferred Stock, at a public offering price of $25.00 per depositary share. The Series E Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after December 28, 2018.

The following table presents dividends on preferred stock:

($ in thousands)	Year Ended December 31, 2014	2013	2012
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 13,368	$ 13,368	$ 12,477
6.20% Noncumulative Perpetual Series B Preferred Stock	9,300	9,300	5,399
5.625% Noncumulative Perpetual Series C Preferred Stock	8,438	8,438	867
5.50% Noncumulative Perpetual Series D Preferred Stock	10,450	7,154	—
7.00% Noncumulative Perpetual Series E Preferred Stock	14,000	2,411	—
Total	$ 55,556	$ 40,671	$ 18,743

Note 16. Common Stock and Stock Plans

Common Stock

At December 31, 2014, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At December 31, 2014 and 2013, the Bank had 138,268,849 and 132,768,437 shares issued and outstanding, respectively.

First Republic Bank Employee Stock Purchase Plan

Under the Bank's Employee Stock Purchase Plan (the "Purchase Plan"), the Bank is authorized to sell 2,000,000 shares of common stock to its full-time and part-time employees who are regularly employed for 20 hours or more per week and five months or more in a calendar year. For 2014, 2013 and 2012, employees were eligible to participate in the Purchase Plan after one year of employment and could purchase shares of the Bank's common stock at 92% of the closing price of the common stock on the New York Stock Exchange on the date of purchase or the nearest prior trading day, subject to an annual limitation of common stock valued at $25,000. A total of 245,529 shares have been sold to employees under the Purchase Plan since its inception in 2011. In 2014, a total of 83,123 shares were sold to employees, compared to 64,994 in 2013 and 55,365 in 2012. Since its inception in 2011 through 2014, the Bank did not recognize any compensation cost for the Purchase Plan since it met the criteria of a noncompensatory plan under ASC 718-50, "Compensation—Stock Compensation—Employee Share Purchase Plans."

First Republic Bank 2010 Omnibus Award Plan

Under the 2010 Omnibus Award Plan, as amended in 2012 ("the Stock Award Plan"), the Bank is authorized to grant 18,927,273 shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units. The Bank has awarded stock options, restricted stock awards, restricted stock units and performance share units to its employees, officers and directors. Upon termination of service, unvested awards are generally forfeited. At December 31, 2014, the Bank had 846,969 shares reserved for future awards under the 2010 Omnibus Award Plan.

Stock Options

At December 31, 2014 and 2013, the Bank had stock options outstanding, less forfeitures, of 7,756,415 and 9,110,901, respectively. Under the Bank's stock option agreements, the exercise price of each option equals the market price of the Bank's common stock at the grant date. Generally, stock options vest over a period of up to four years from the grant date and have a maximum contractual life of ten years. The Bank has granted options that have time vesting requirements ("Time Options"), performance vesting criteria ("Performance Options") and market vesting conditions ("Market Options"). All options were granted on or after July 1, 2010.

Time Options vest 25% per annum over four years or on a monthly basis in equal amounts over a term of 48 months. The following table presents information related to Time Options:

	Time Options			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding as of December 31, 2011	8,087,411	$ 15.01		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(1,760,553)	$ 15.00		
Options outstanding as of December 31, 2012	6,326,858	$ 15.01	7.5 years	$ 112,432,605
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(1,042,037)	$ 15.00		
Options outstanding as of December 31, 2013	5,284,821	$ 15.01	6.5 years	$ 197,329,134
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(388,169)	$ 15.00		
Options outstanding as of December 31, 2014	4,896,652	$ 15.01	5.5 years	$ 181,704,792
As of December 31, 2014:				
Options exercisable and expected to be exercisable [(1)]	4,896,652	$ 15.01	5.5 years	$ 181,704,792
Options exercisable	4,895,902	$ 15.01	5.5 years	$ 181,688,607

(1) First Republic Bank assumes a 0% forfeiture rate.

Performance Options vest 25% per annum over four years provided that certain criteria, including return on average tangible common equity, nonperforming asset ratios and growth in non-certificates of deposit accounts, are achieved. The measurement of the performance criteria occurs at the calendar year-end, with vesting generally early in the second calendar quarter of the following year. The following table presents information related to Performance Options and Market Options:

	Performance Options				Market Options			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding as of December 31, 2011	5,256,964	$15.79			1,410,606	$15.00		
Granted	—	—			—	—		
Canceled or forfeited	(113,495)	$20.22			—	—		
Exercised	(834,162)	$15.07			—	—		
Options outstanding as of December 31, 2012	4,309,307	$15.82	7.6 years	$ 73,092,143	1,410,606	$15.00	7.5 years	$25,080,575
Granted	—	—			—	—		
Canceled or forfeited	(31,114)	$16.58			—	—		
Exercised	(830,036)	$15.33			(1,032,683)	$15.00		
Options outstanding as of December 31, 2013	3,448,157	$15.93	6.6 years	$125,586,427	377,923	$15.00	6.5 years	$14,115,424
Granted	—	—			—	—		
Canceled or forfeited	(9,250)	$20.78			—	—		
Exercised	(757,207)	$15.43			(199,860)	$15.00		
Options outstanding as of December 31, 2014	2,681,700	$16.05	5.6 years	$ 96,719,790	178,063	$15.00	5.5 years	$ 6,609,699
As of December 31, 2014:								
Options exercisable and expected to be exercisable [1]	2,681,700	$16.05	5.6 years	$ 96,719,790	178,063	$15.00	5.5 years	$ 6,609,699
Options exercisable	2,599,348	$15.65	5.5 years	$ 94,799,176	178,063	$15.00	5.5 years	$ 6,609,699

(1) First Republic Bank assumes a 0% forfeiture rate.

The following table presents options that vested during the periods indicated:

	Number of Options Vested		
Year Ended December 31,	Time Options	Performance Options	Market Options
2012	1,530,545	1,321,148	—
2013	1,508,039	1,323,185	—
2014	802,734	1,296,561	—

At December 31, 2014, the weighted average exercise price of outstanding Time, Performance and Market Options was $15.37 and the weighted average remaining contractual term was 5.5 years.

The intrinsic value of Time, Performance and Market Options exercised was $49.2 million in 2014, compared to $89.4 million in 2013 and $44.0 million in 2012. Stock option exercises are satisfied by issuing shares from the Bank's authorized shares.

Restricted Stock Units

Beginning in 2012, the Bank granted restricted stock units ("RSUs") to certain of its employees and directors. Upon vesting, one share of common stock is issued from the Bank's authorized shares for each RSU. Participants are entitled to dividends and voting rights only upon vesting.

RSUs have time-based vesting requirements ("Time RSUs") or both time-based and performance-based vesting requirements ("Performance RSUs"). RSUs generally vest 25% per annum over four years, however, certain RSUs vest evenly over a shorter period that ranges from one year to three years from the date of grant. Performance RSUs vest over these periods, provided that certain performance criteria is met. The following table presents information related to Performance RSUs and Time RSUs:

	Performance RSUs			Time RSUs		
	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2011	—	—		—	—	
Granted	—	—		477,577	$32.50	
Vested	—	—		—	—	
Canceled or forfeited	—	—		(4,000)	$32.66	
Nonvested awards as of December 31, 2012	—	—	—	473,577	$32.50	3.2 years
Granted	479,670	$38.49		23,940	$37.60	
Vested	—	—		(137,564)	$32.15	
Canceled or forfeited	(3,500)	$36.86		(6,000)	$33.05	
Nonvested awards as of December 31, 2013	476,170	$38.50	3.3 years	353,953	$32.97	2.2 years
Granted	579,626	$53.14		20,142	$53.62	
Vested	(120,711)	$38.62		(132,945)	$33.53	
Canceled or forfeited	(7,450)	$36.95		(5,000)	$32.62	
Nonvested awards as of December 31, 2014	927,635	$47.64	3.0 years	236,150	$34.43	1.3 years

The total fair value of Performance RSUs that vested in 2014 was approximately $6.2 million. The total fair value of Time RSUs that vested in 2014 and 2013 was approximately $6.9 million and $5.2 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Performance Share Units

Beginning in 2013, the Bank granted performance share units ("PSUs") to certain of its employees and officers. Upon vesting, one share of common stock is issued from the Bank's authorized shares for each PSU. Participants are entitled to dividends and voting rights only upon vesting. PSUs generally vest in full after three years, subject to achieving certain performance criteria. The following table presents information related to PSUs:

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2012	—	—	
Granted	100,000	$38.44	
Vested	—	—	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2013	100,000	$38.44	2.3 years
Granted	197,500	$47.15	
Vested	—	—	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2014	297,500	$44.22	2.1 years

Restricted Stock Awards

Beginning in 2012, the Bank granted restricted stock awards ("RSAs") to certain of its employees and officers. Upon grant, one share of common stock is issued from the Bank's authorized shares for each RSA. Upon vesting, common stock shares are transferred to the employee or officer. Participants are entitled to dividends and voting rights for all RSAs, regardless of whether the award has vested.

RSAs have time-based vesting requirements ("Time RSAs") or both time-based and performance-based vesting requirements ("Performance RSAs"). The majority of Performance RSAs generally vest on a quarterly basis through the end of 2019. Time RSAs and certain Performance RSAs generally vest 25% per annum over four years. Performance RSAs vest over these periods, provided that certain performance criteria is met. The following table presents information related to Performance RSAs and Time RSAs:

	Performance RSAs			Time RSAs		
	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2011	—	—		—	—	
Granted	390,000	$31.80		113,000	$31.50	
Vested	(17,500)	$31.80		—	—	
Canceled or forfeited	—	—		—	—	
Nonvested awards as of December 31, 2012	372,500	$31.80	6.8 years	113,000	$31.50	3.2 years
Granted	90,000	$36.86		—	—	
Vested	(17,500)	$31.80		(28,250)	$31.50	
Canceled or forfeited	—	—		—	—	
Nonvested awards as of December 31, 2013	445,000	$32.82	5.2 years	84,750	$31.50	2.2 years
Granted	—	—		—	—	
Vested	(95,000)	$33.13		(28,250)	$31.50	
Canceled or forfeited	—	—		—	—	
Nonvested awards as of December 31, 2014	350,000	$32.74	4.2 years	56,500	$31.50	1.2 years

The total fair value of Performance RSAs that vested during 2014, 2013 and 2012 was $5.0 million, $770,000 and $585,000, respectively. The total fair value of Time RSAs that vested during 2014 and 2013 was $1.6 million and $1.1 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

The compensation cost of stock options is measured based on the estimated fair value of the options at the grant date using a Black-Scholes valuation model, and compensation expense is recognized over the requisite service period. RSUs, PSUs and RSAs are valued at the closing market price of the Bank's common stock at the grant date, and compensation expense is recognized over the vesting period.

The following tables present information regarding share-based compensation expense:

	Year Ended December 31, 2014		At December 31, 2014	
($ in thousands)	Expense Recognized	Related Tax Benefit	Unrecognized Expense	Weighted Average Expected Recognition Period
Stock Options	$ 7,209	$ 3,064	$ 558	1.2 years
RSUs	13,380	5,687	41,694	2.9 years
PSUs	2,693	1,145	9,746	2.3 years
RSAs	4,175	1,774	11,143	4.1 years
Total	$27,457	$11,670	$63,141	

	Year Ended December 31, 2013		Year Ended December 31, 2012	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
Stock Options	$16,369	$ 6,957	$17,019	$7,233
RSUs	7,662	3,256	3,132	1,331
PSUs	717	305	—	—
RSAs	2,486	1,057	1,475	627
Total	$27,234	$11,575	$21,626	$9,191

Note 17. Accumulated Other Comprehensive Income

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

($ in thousands)	Securities Available-For-Sale	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
Balance at December 31, 2011	**$ 3,690**	**$(2,504)**	**$ 1,186**	
Net unrealized gain on securities available-for-sale	51,654	—	51,654	
Related tax effect	(21,952)	—	(21,952)	
Reclassification of gain on securities available-for-sale to net income	(1,220)	—	(1,220)	Gain on investment securities, net
Related tax effect	518	—	518	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	2,070	2,070	Interest on deposits
Related tax effect	—	(880)	(880)	Provision for income taxes
Other comprehensive income	29,000	1,190	30,190	
Balance at December 31, 2012	**32,690**	**(1,314)**	**31,376**	
Net unrealized loss on securities available-for-sale	(32,766)	—	(32,766)	
Related tax effect	13,927	—	13,927	
Reclassification of gain on securities available-for-sale to net income	(531)	—	(531)	Gain on investment securities, net
Related tax effect	226	—	226	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	1,806	1,806	Interest on deposits
Related tax effect	—	(767)	(767)	Provision for income taxes
Other comprehensive income (loss)	(19,144)	1,039	(18,105)	
Balance at December 31, 2013	**13,546**	**(275)**	**13,271**	
Net unrealized gain on securities available-for-sale	4,888	—	4,888	
Related tax effect	(2,079)	—	(2,079)	
Reclassification of gain on securities available-for-sale to net income	(23,025)	—	(23,025)	Gain on investment securities, net
Related tax effect	9,785	—	9,785	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	448	448	Interest on deposits
Related tax effect	—	(192)	(192)	Provision for income taxes
Other comprehensive income (loss)	(10,431)	256	(10,175)	
Balance at December 31, 2014	**$ 3,115**	**$ (19)**	**$ 3,096**	

Note 18. Employee Benefit Plans

The Bank's 401(k) Plan is a qualified defined contribution plan under section 401(k) of the Internal Revenue Code ("IRC") of 1986, as amended. Generally, full-time and part-time employees who are regularly employed for 20 hours or more per week are automatically enrolled in the Bank's 401(k) Plan upon their date of hire. The 401(k) Plan assets are invested by plan participants in a family of investment funds. Eligible employees may contribute up to 50% of their pre-tax and post-tax eligible compensation as defined in the 401(k) Plan, subject to certain IRC limitations. Under the 401(k) Plan, the Bank makes an annual matching contribution in an amount equal to the lesser of: (i) 50% of each participant's deferred contributions or (ii) 50% of 5% of the participant's eligible compensation. The annual match has a three year vesting requirement. Upon termination of service, any unvested employer match is generally forfeited. The Bank's contributions to the 401(k) Plan were approximately $6.2 million, $5.6 million and $4.5 million for 2014, 2013 and 2012, respectively.

During 2004, the Bank implemented a Supplemental Executive Retirement Plan ("SERP") with five of its executives. The SERP provides for cash payments to individual executives at predetermined future dates. These payments, which became fully vested upon the acquisition by Merrill Lynch in 2007, are designed to allow the individual to purchase certain split dollar life insurance contracts from the Bank at the Bank's net book value. The SERP liability was $3.5 million and $4.9 million at December 31, 2014 and 2013, respectively. Total payments made in 2014 were $1.7 million.

In 2013, the Bank adopted a Deferred Compensation Plan under which eligible employees may defer receipt of a portion of salary or incentive compensation in 2013 and future years. Such deferred compensation may be invested in an interest-bearing deposit account. Deferred amounts will be distributed to employees in accordance with their elections. At December 31, 2014 and 2013, the amount of deferred compensation liability was $15.6 million and $5.7 million, respectively.

Since inception, the Bank has not offered any other employee benefit plans and, at December 31, 2014, has no requirement to accrue additional expenses for any pension or other post-employment benefits.

Note 19. Income Taxes

At December 31, 2014 and 2013, the amount of net current taxes receivable was $4.1 million and $29.4 million, respectively.

In accordance with ASC 323-740, tax credit investment amortization expense is presented as a component of provision for income taxes. The following table presents the components of the Bank's provision for income taxes:

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Federal:			
Current	$ 84,708	$ 89,144	$ 130,094
Deferred	(26,527)	4,392	(21,072)
Subtotal	58,181	93,536	109,022
State:			
Current	68,764	64,589	71,540
Deferred	(8,116)	(798)	(7,976)
Subtotal	60,648	63,791	63,564
Tax credit investment amortization	64,048	44,162	26,059
Total provision for income taxes	$ 182,877	$ 201,489	$ 198,645

The following table presents a reconciliation between the effective income tax rate and the federal statutory rate:

	Year Ended December 31,		
	2014	2013	2012
Expected statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefits	5.9%	6.3%	6.9%
Tax-exempt income	(9.3)%	(7.2)%	(6.2)%
Bank-owned life insurance	(1.5)%	(1.3)%	(1.3)%
Tax credits	(12.4)%	(8.9)%	(6.0)%
Tax credit investment amortization	9.5%	6.7%	4.3%
Other, net	0.1%	(0.2)%	0.3%
Effective tax rate	27.3%	30.4%	33.0%

The following table presents the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities:

	December 31,	
($ in thousands)	2014	2013
Deferred tax assets:		
Allowance for loan losses	$ 89,752	$ 65,081
Accrued compensation	66,909	45,394
Loan discounts	26,961	36,136
Stock award expense	25,856	23,143
State income taxes	15,551	14,971
Depreciation	10,991	2,857
Intangible assets	1,293	—
Premium on certificates of deposit	472	3,172
Other deferred tax assets	1,869	7,370
Gross deferred tax assets	239,654	198,124
Less: valuation allowance	—	—
Total deferred tax assets, net of valuation allowance	$239,654	$198,124
Deferred tax liabilities:		
Deferred loan costs	$ (67,516)	$ (58,249)
Unrealized gain on securities available-for-sale	(2,302)	(10,008)
Intangible assets	—	(1,344)
Other deferred tax liabilities	(2,570)	(1,212)
Gross deferred tax liabilities	(72,388)	(70,813)
Net deferred tax assets	$167,266	$127,311

The gross deferred tax asset represents recoverable taxes. At December 31, 2014 and 2013, management believes a valuation allowance is not needed because it is more likely than not that deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

The table below presents a reconciliation of the beginning and ending amount of unrecognized tax benefits:

($ in thousands)	At or for the Year Ended December 31, 2014	2013
Balance at beginning of period	$ 242	$ 166
Additions for tax positions related to the current year	—	—
Additions for tax positions related to prior years	57	76
Balance at end of period	$ 299	$ 242

At December 31, 2014 and 2013, the Bank has accrued current taxes payable of approximately $299,000 and $242,000, respectively, related to uncertain tax positions. If recognized, the entire amount of unrecognized tax benefits at December 31, 2014 would affect the Bank's consolidated effective tax rate. The Bank also recognized interest and penalties of approximately $14,000 and $11,000 (recorded in income tax expense) related to uncertain tax positions for the years ended December 31, 2014 and 2013, respectively.

The Bank continues to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions. The Bank's tax returns for the years ended December 31, 2014, 2013, 2012, 2011 and the six months ended December 31, 2010 remain subject to examination by the Internal Revenue Service, the California Franchise Tax Board or various other state taxing authorities. The Bank does not currently believe there is a reasonable possibility of any significant change to our total unrecognized tax benefits within the next twelve months.

Note 20. Earnings Per Common Share ("EPS")

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

(in thousands, except per share amounts)	Year Ended December 31, 2014	2013	2012
Basic EPS:			
Net income	$ 487,006	$ 462,070	$ 401,164
Less: Dividends on preferred stock	55,556	40,671	18,743
Redemption of FRPCC preferred stock	—	—	13,200
Net income available to common shareholders	$ 431,450	$ 421,399	$ 369,221
Weighted average common shares outstanding	136,420	131,326	130,051
Net income per common share—basic	$ 3.16	$ 3.21	$ 2.84
Diluted EPS:			
Net income available to common shareholders	$ 431,450	$ 421,399	$ 369,221
Weighted average shares:			
Common shares outstanding	136,420	131,326	130,051
Dilutive effect of stock options	3,685	4,360	4,084
Dilutive effect of restricted stock awards, restricted stock units and performance share units	392	263	54
Weighted average diluted common shares outstanding	140,497	135,949	134,189
Net income per common share—diluted	$ 3.07	$ 3.10	$ 2.75

Stock options, restricted stock awards, restricted stock units and performance share units that are anti-dilutive are not included in the calculation of diluted earnings per common share. The following table presents weighted average shares of outstanding stock awards that were anti-dilutive:

(in thousands)	Year Ended December 31, 2014	2013	2012
Stock options	—	—	219
Restricted stock awards	—	—	—
Restricted stock units and performance share units	—	6	2

Note 21. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification will also be subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Bank's capital ratios exceeded all applicable regulatory requirements at December 31, 2014 and 2013 for well-capitalized institutions. As a condition of being a newly-chartered institution, the Bank is required to maintain a Tier 1 capital to average assets (leverage ratio) of at least 8% through its first seven years until June 30, 2017. The following table presents the Bank's regulatory capital information at December 31, 2014 and 2013 and the standards for both well-capitalized depository institutions and applicable minimum capital requirements:

($ in thousands)	December 31, 2014	2013
Regulatory Capital:		
Tier 1 capital (1)	$ 4,558,821	$ 3,907,482
Total capital (1)	4,778,456	4,069,440
Assets:		
Average assets (1)	48,338,248	42,513,437
Risk-weighted assets	$ 33,650,567	$ 29,288,374

	December 31, 2014	2013	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:				
Leverage ratio (Tier 1 capital to average assets)	9.43%	9.19%	5.00%	4.00%
Tier 1 capital to risk-weighted assets	13.55%	13.34%	6.00%	4.00%
Total capital to risk-weighted assets	14.20%	13.89%	10.00%	8.00%

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

Note 22. Segment Reporting

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

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

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

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

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

	At or for the Year Ended December 31, 2014			
($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,291,788	$ 38,972	$ —	$ 1,330,760
Provision for loan losses	56,486	—	—	56,486
Noninterest income	124,835	204,099	(10,579)	318,355
Amortization of intangibles	10,491	12,253	—	22,744
Other noninterest expense	735,772	174,809	(10,579)	900,002
Income before provision for income taxes	613,874	56,009	—	669,883
Provision for income taxes	159,200	23,677	—	182,877
Segment net income	$ 454,674	$ 32,332	$ —	$ 487,006
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 48,122,784	$ 361,840	$ (131,294)	$ 48,353,330

($ in thousands)	At or for the Year Ended December 31, 2013 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,182,008	$ 42,167	$ —	$ 1,224,175
Provision for loan losses	36,969	—	—	36,969
Noninterest income	95,258	156,843	(7,751)	244,350
Amortization of intangibles	12,229	13,918	—	26,147
Other noninterest expense	621,279	128,322	(7,751)	741,850
Income before provision for income taxes	606,789	56,770	—	663,559
Provision for income taxes	177,681	23,808	—	201,489
Segment net income	$ 429,108	$ 32,962	$ —	$ 462,070
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 41,894,183	$ 280,651	$ (62,071)	$ 42,112,763

($ in thousands)	At or for the Year Ended December 31, 2012 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 1,126,311	$ 46,709	$ —	$ 1,173,020
Provision for loan losses	63,436	—	—	63,436
Noninterest income	76,080	98,595	(5,941)	168,734
Amortization of intangibles	13,964	6,508	—	20,472
Other noninterest expense	558,694	103,746	(5,941)	656,499
Income before provision for income taxes	566,297	35,050	—	601,347
Provision for income taxes	183,595	15,050	—	198,645
Net income before noncontrolling interests	382,702	20,000	—	402,702
Less: Net income from noncontrolling interests	1,538	—	—	1,538
Segment net income	$ 381,164	$ 20,000	$ —	$ 401,164
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 34,169,145	$ 267,185	$ (47,094)	$ 34,389,236

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

Note 23. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the year ended December 31, 2014. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the year ended December 31, 2014 or disclosure in the notes to the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
First Republic Bank:

We have audited the accompanying consolidated balance sheets of First Republic Bank and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the Bank's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). First Republic Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on First Republic Bank's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the balance sheets of First Republic Bank and subsidiaries as of December 31, 2014 and 2013, and the related statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, First Republic Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP
San Francisco, California
February 27, 2015

FIRST REPUBLIC BANK
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Bank's internal control over financial reporting is designed by, or under the supervision of the Bank's principal executive and principal financial officers and effected by the Bank's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Bank's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Bank's management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2014, using the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (1992)*. Based on this assessment, management concluded that, as of December 31, 2014, the Bank's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Bank's financial statements as of December 31, 2014 included in this Annual Report on Form 10-K, issued an audit report on the Bank's internal control over financial reporting. KPMG's audit report appears on page 173.

FIRST REPUBLIC BANK
QUARTERLY FINANCIAL DATA
(UNAUDITED)

($ in thousands, except per share amounts)	2014 Quarter Ended Dec. 31	2014 Quarter Ended Sept. 30	2014 Quarter Ended June 30	2014 Quarter Ended Mar. 31	2013 Quarter Ended Dec. 31	2013 Quarter Ended Sept. 30	2013 Quarter Ended June 30	2013 Quarter Ended Mar. 31
Interest income	$378,999	$376,396	$370,303	$357,311	$353,478	$346,050	$332,744	$323,746
Interest expense	38,144	40,407	37,090	36,608	38,654	37,840	29,652	25,697
Net interest income	340,855	335,989	333,213	320,703	314,824	308,210	303,092	298,049
Provision for loan losses	14,076	13,515	21,800	7,095	7,815	10,023	12,653	6,478
Noninterest income	75,834	104,671	76,838	61,012	56,200	53,632	62,250	72,268
Noninterest expense	244,150	238,377	222,728	217,491	200,929	191,675	188,859	186,534
Income before provision for income taxes	158,463	188,768	165,523	157,129	162,280	160,144	163,830	177,305
Net income	115,459	136,011	120,832	114,704	115,299	111,748	112,470	122,553
Net income available to common shareholders	101,570	122,122	106,943	100,815	102,499	101,359	102,764	114,777
Diluted EPS	$ 0.72	$ 0.86	$ 0.76	$ 0.73	$ 0.75	$ 0.74	$ 0.76	$ 0.85

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act as of the end of the period covered by this report. Our management, including our chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of December 31, 2014, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

See "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference to the Bank's 2015 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 11. Executive Compensation.

This information is incorporated by reference to the Bank's 2015 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 201(d) of Regulation S-K regarding securities authorized for issuance under equity compensation plans and other information regarding security ownership is incorporated by reference to the Bank's 2015 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference to the Bank's 2015 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 14. Principal Accounting Fees and Services.

This information is incorporated by reference to the Bank's 2015 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) Financial Statements:

See "Item 8. Financial Statements and Supplementary Data."

(2) Financial Statement Schedules:

Financial Statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the Financial Statements or notes thereto.

(3) Exhibits:

The exhibits to this Annual Report on Form 10-K listed below have been included with, or incorporated into, the copy of this report filed with the Federal Deposit Insurance Corporation and on our website. Copies of individual exhibits will be furnished to shareholders upon written request to First Republic Bank.

Exhibit No.	Description
3.1	Restated Articles of Incorporation of First Republic Bank incorporated by reference to Exhibit 3.1 of Form 10-K filed on February 22, 2013.
3.2	Amended and Restated Bylaws of First Republic Bank incorporated by reference to Exhibit 3.1 of Form 8-K filed on October 27, 2014.
4.1	Specimen stock certificate of First Republic Bank's common stock incorporated by reference to Exhibit 4.1 of Amendment No. 2 to the Bank's Registration Statement on Form 10 filed on December 7, 2010.
4.2	Deposit Agreement, dated January 24, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on January 24, 2012.
4.3	Form of Depositary Receipt (included in Exhibit 4.2).
4.4	Deposit Agreement, dated June 1, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 1, 2012.
4.5	Form of Depositary Receipt (included in Exhibit 4.4).
4.6	Deposit Agreement, dated November 23, 2012, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on November 23, 2012.
4.7	Form of Depositary Receipt (included in Exhibit 4.6).
4.8	Deposit Agreement, dated April 23, 2013, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on April 23, 2013.
4.9	Form of Depositary Receipt (included in Exhibit 4.8).
4.10	Deposit Agreement, dated October 28, 2013, by and among the Bank, Computershare Shareowner Services LLC and the holders from time to time of the Depositary Receipts described therein incorporated by reference to Exhibit 4.1 of Form 8-K filed on October 28, 2013.
4.11	Form of Depositary Receipt (included in Exhibit 4.10).

Exhibit No.	Description
4.12	Fiscal and Agency Paying Agreement, dated June 17, 2014, by and among the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 17, 2014.
4.13	Form of Note (included in Exhibit 4.12).
4.14	Other instruments defining the rights of debt holders. The registrant hereby agrees to furnish to the FDIC, upon request, copies of instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries; currently no issuance of debt of the registrant exceeds 10% of the assets of the registrant and its subsidiaries on a consolidated basis.
10.1	Employment Agreement, dated June 15, 2010, between First Republic Bank and James H. Herbert, II incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 8, 2012.
10.2	Employment Agreement, dated June 15, 2010, between First Republic Bank and Katherine August-deWilde incorporated by reference to Exhibit 10.2 of Form 10-Q filed on May 8, 2012.
10.3	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between James H. Herbert, II and the Bank, and (ii) the Restricted Stock Agreement, dated as of February 27, 2012, between James H. Herbert, II and the Bank, attached as Attachment A thereto, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on May 8, 2012.
10.4	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between Katherine August-deWilde and the Bank and the Nonqualified Stock Option Agreement, dated July 1, 2010, between Katherine August-deWilde and the Bank, (ii) the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, attached as Exhibit A thereto (the "Consulting Agreement"), and (iii) the Restricted Stock Agreement, dated as of February 27, 2012, by and between Katherine August-deWilde and the Bank, attached as Attachment A to the Consulting Agreement, incorporated by reference to Exhibit 10.4 of Form 10-Q filed on May 8, 2012.
10.5	Employment Agreement Amendment No. 2, dated September 20, 2013, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between Katherine August-deWilde and First Republic Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on September 23, 2013.
10.6	Employment Agreement Amendment No. 2, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.6 of Form 10-K filed on February 28, 2014.
10.7	Employment Agreement Amendment No. 3, Consulting Agreement Amendment No. 1, and Restricted Stock Agreement Amendment No. 1, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012 and December 31, 2013, between Katherine August-deWilde and the Bank, the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, the Restricted Stock Agreement, dated as of February 27, 2012, between Katherine August-deWilde and the Bank, and Letter Agreement, dated February 26, 2014, between Katherine August-deWilde and the Bank, incorporated by reference to Exhibit 10.7 of Form 10-K filed on February 28, 2014.
10.8	Advances and Security Agreement, dated as of July 1, 2010, between the Federal Home Loan Bank of San Francisco and First Republic Bank incorporated by reference to Exhibit 10.6 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.9	Form of Director and Officer Indemnification Agreement incorporated by reference to Exhibit 10.7 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.

Exhibit No.	Description
10.10	2010 Omnibus Award Plan, as amended and restated effective May 15, 2012, incorporated by reference to the Bank's Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders on Schedule 14A filed on April 13, 2012.
10.11	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for California Resident incorporated by reference to Exhibit 10.9 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.12	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for California Resident incorporated by reference to Exhibit 10.10 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.13	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for Non-California Resident incorporated by reference to Exhibit 10.11 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.14	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for Non-California Resident incorporated by reference to Exhibit 10.12 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.15	Form of Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.13 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.16	Form of Endorsement Method Split-Dollar Agreement incorporated by reference to Exhibit 10.14 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.17	Form of Restricted Stock Unit Agreement—Time Vesting under the 2010 Omnibus Award Plan incorporated by reference to Exhibit 10.15 of Form 10-K filed on February 23, 2012.
10.18	Form of Restricted Stock Agreement—Time Vesting under the 2010 Omnibus Award Plan incorporated by reference to Exhibit 10.16 of Form 10-K filed on February 23, 2012.
10.19	2012 Executive Incentive Plan, incorporated by reference to the Bank's Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders on Schedule 14A filed on April 13, 2012.
10.20	Form of Restricted Stock Agreement—Performance Vesting under the 2010 Omnibus Award Plan, incorporated by reference to Exhibit 10.20 of Form 10-K filed on February 28, 2014.
10.21	Form of Restricted Stock Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan, incorporated by reference to Exhibit 10.21 of Form 10-K filed on February 28, 2014.
10.22	Form of Performance Share Unit Agreement, dated as of June 27, 2013, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 on Form 10-Q filed on August 8, 2013.
10.23	Form of Performance Share Unit Agreement, dated as of June 27, 2013, between Katherine August-deWilde and the Bank, incorporated by reference to Exhibit 10.2 on Form 10-Q filed on August 8, 2013.
10.24	First Republic Deferred Compensation Plan, incorporated by reference to Exhibit 10.24 of Form 10-K filed on February 28, 2014.
10.25	Form of Performance Share Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on November 6, 2014.
10.26	Consulting Agreement, dated December 19, 2014, between First Republic Bank and Willis H. Newton, Jr., effective January 1, 2015, incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 22, 2014.

Exhibit No.	Description
11	Statement of Computation of Earnings Per Common Share.
12	Statement of Computation of Ratios of: Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of First Republic Bank.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Bank has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST REPUBLIC BANK

By: /s/ MICHAEL J. ROFFLER **Michael J. Roffler**	Executive Vice President and Chief Financial Officer	February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Bank and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JAMES H. HERBERT, II **(James H. Herbert, II)**	Chairman, Chief Executive Officer and Director	February 27, 2015
/s/ KATHERINE AUGUST-DEWILDE **(Katherine August-deWilde)**	President and Director	February 27, 2015
/s/ MICHAEL J. ROFFLER **(Michael J. Roffler)**	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2015
/s/ THOMAS J. BARRACK, JR. **(Thomas J. Barrack, Jr.)**	Director	February 27, 2015
/s/ FRANK J. FAHRENKOPF, JR. **(Frank J. Fahrenkopf, Jr.)**	Director	February 27, 2015
/s/ WILLIAM E. FORD **(William E. Ford)**	Director	February 27, 2015
/s/ L. MARTIN GIBBS **(L. Martin Gibbs)**	Director	February 27, 2015
/s/ BORIS GROYSBERG **(Boris Groysberg)**	Director	February 27, 2015
/s/ SANDRA R. HERNÁNDEZ **(Sandra R. Hernández)**	Director	February 27, 2015
/s/ PAMELA J. JOYNER **(Pamela J. Joyner)**	Director	February 27, 2015
/s/ REYNOLD LEVY **(Reynold Levy)**	Director	February 27, 2015
/s/ JODY S. LINDELL **(Jody S. Lindell)**	Director	February 27, 2015
/s/ DUNCAN L. NIEDERAUER **(Duncan L. Niederauer)**	Director	February 27, 2015
/s/ GEORGE G.C. PARKER **(George G.C. Parker)**	Director	February 27, 2015

EXHIBIT 11

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	Year Ended December 31, 2014	2013	2012
Basic EPS:			
Net income	$ 487,006	$ 462,070	$ 401,164
Less: Dividends on preferred stock	55,556	40,671	18,743
Redemption of FRPCC preferred stock	—	—	13,200
Net income available to common shareholders	$ 431,450	$ 421,399	$ 369,221
Weighted average common shares outstanding	136,420	131,326	130,051
Net income per common share—basic	$ 3.16	$ 3.21	$ 2.84
Diluted EPS:			
Net income available to common shareholders	$ 431,450	$ 421,399	$ 369,221
Weighted average shares:			
Common shares outstanding	136,420	131,326	130,051
Dilutive effect of stock options	3,685	4,360	4,084
Dilutive effect of restricted stock awards, restricted stock units and performance share units	392	263	54
Weighted average diluted common shares outstanding	140,497	135,949	134,189
Net income per common share—diluted	$ 3.07	$ 3.10	$ 2.75

EXHIBIT 12

FIRST REPUBLIC BANK

STATEMENT OF COMPUTATION OF RATIOS OF:

EARNINGS TO FIXED CHARGES AND

EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Year Ended				Six Months Ended	
($ in thousands)	**December 31, 2014**	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**	**June 30, 2010** [1]
Earnings before adjustment for fixed charges:						
Income before income taxes and noncontrolling interest in subsidiaries	$669,883	$663,559	$601,347	$564,652	$243,673	$228,381
Preferred stock dividends of subsidiaries	—	—	(2,676)	(7,774)	(4,168)	(4,168)
Redemption of subsidiary's preferred stock	—	—	(13,200)	—	—	—
Earnings before adjustment for fixed charges	$669,883	$663,559	$585,471	$556,878	$239,505	$224,213
Fixed charges and preferred stock dividend requirements:						
I. Excluding interest on deposits:						
Interest on borrowings	$ 91,795	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260
Preferred stock dividends of subsidiaries	—	—	2,676	7,774	4,168	4,168
Redemption of subsidiary's preferred stock	—	—	13,200	—	—	—
Estimated interest component of net rental expense	18,733	17,658	16,777	12,884	5,653	6,113
Total fixed charges, excluding interest on deposits	110,528	88,684	89,858	54,608	18,642	15,541
Preferred stock dividend requirements	96,619	70,732	32,597	—	—	—
Fixed charges and preferred stock dividend requirements	$207,147	$159,416	$122,455	$ 54,608	$ 18,642	$ 15,541
Earnings, including fixed charges	$780,411	$752,243	$675,329	$611,486	$258,147	$239,754
Ratio of earnings to fixed charges	7.06x	8.48x	7.52x	11.20x	13.85x	15.43x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.77x	4.72x	5.51x	11.20x	13.85x	15.43x
II. Including interest on deposits:						
Interest on borrowings	$ 91,795	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260
Preferred stock dividends of subsidiaries	—	—	2,676	7,774	4,168	4,168
Redemption of subsidiary's preferred stock	—	—	13,200	—	—	—
Estimated interest component of net rental expense	18,733	17,658	16,777	12,884	5,653	6,113
Interest on deposits	60,454	60,817	56,981	83,268	45,116	90,339
Total fixed charges, including interest on deposits	170,982	149,501	146,839	137,876	63,758	105,880
Preferred stock dividend requirements	96,619	70,732	32,597	—	—	—
Fixed charges and preferred stock dividend requirements	$267,601	$220,233	$179,436	$137,876	$ 63,758	$105,880
Earnings, including fixed charges	$840,865	$813,060	$732,310	$694,754	$303,263	$330,093
Ratio of earnings to fixed charges	4.92x	5.44x	4.99x	5.04x	4.76x	3.12x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.14x	3.69x	4.08x	5.04x	4.76x	3.12x

(1) Represents the Predecessor period.

EXHIBIT 21

FIRST REPUBLIC BANK

SUBSIDIARIES

The following is a list of the subsidiaries of First Republic Bank as of December 31, 2014:

Subsidiary	State of Incorporation or Organization
First Republic Lending Corporation	Nevada
First Republic Investment Management, Inc.	New York
First Republic Securities Company, LLC	Nevada
First Republic Trust Company of Delaware LLC	Delaware

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of First Republic Bank;

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

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

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

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

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

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

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

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

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

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

Date: February 27, 2015

/s/ James H. Herbert, II

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

EXHIBIT 31.2

CERTIFICATION

I, Michael J. Roffler, certify that:

1. I have reviewed this annual report on Form 10-K of First Republic Bank;

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

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

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

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

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

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

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

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

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

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

Date: February 27, 2015

/s/ Michael J. Roffler

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

EXHIBIT 32.1

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

The undersigned, the Chairman and Chief Executive Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2014 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2015

/s/ James H. Herbert, II

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

EXHIBIT 32.2

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

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2014 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2015

/s/ Michael J. Roffler

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