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## FIRST REPUBLIC REPORTS STRONG QUARTERLY EARNINGS

### *Wealth Management Assets up 8.6% for the Quarter; Cash Dividend Increased*

**San Francisco, California, April 16, 2014** – First Republic Bank (NYSE: FRC) today announced financial results for the quarter ended March 31, 2014.

“We’re very pleased with our first quarter results,” said Chairman and CEO Jim Herbert. “Excluding the unusually high level of gain on loan sales during last year’s first quarter, year-over-year core earnings per share were up nicely. All elements of our franchise continue to make a meaningful contribution to results. Assets are very clean and capital is strong.”

### **Quarterly Highlights**

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

- Net income was \$114.7 million.
- Diluted earnings per share (“EPS”) were \$0.73, compared to \$0.85 a year ago.
- Core net income was \$105.8 million. <sup>(1)</sup>
- Core diluted EPS were \$0.67, compared to \$0.72 a year ago. <sup>(1)</sup>
- Gain on sale of loans contributed \$0.01 per share to the current quarter results, compared to \$0.11 per share a year ago.
- Loans sold were \$346.2 million in the first quarter, compared to \$1.2 billion for the same period a year ago.
- Book value per share was \$26.21, up 14.1% from a year ago.
- Core revenues were up 7.8% over the first quarter of last year. <sup>(1)</sup>
- Core net interest margin was 3.17%, compared to 3.06% for the prior quarter. <sup>(1)</sup>

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

- New single family loans originated during the quarter had a weighted average loan-to-value (“LTV”) ratio of 61% and borrower average FICO scores of 762.
- New multifamily and commercial real estate loans originated during the quarter had a weighted average LTV ratio of 51% with very strong debt service coverage ratios.
- Nonperforming assets continued to be extremely low at 12 basis points of total assets at quarter-end.
- Net charge-offs were a single basis point for the quarter.
- Tier 1 leverage ratio was 9.85%.
- Tier 1 leverage capital has grown by 31.3% in the last twelve months.

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

***Franchise Development***

- Loan originations were \$3.2 billion, down 9.1% from the first quarter of 2013 in the face of a substantial decline in the single family refinance market.
- Loans outstanding totaled \$35.3 billion, up 3.0% for the quarter.
- Deposits were \$33.6 billion, up 4.6% for the quarter.
- Wealth management assets were \$45.1 billion, up 8.6% for the quarter and 30.3% from a year ago.

“Franchise development continued to be very strong, reflecting our ongoing success in cross selling and client acquisition,” said President Katherine August de-Wilde. “This was especially evident in the wealth management area. More than 90% of the increase in wealth management assets was from net client inflows.”

**Quarterly Cash Dividend Increases 17% to \$0.14 per Share**

The Bank announced an increase in its quarterly cash dividend for the first quarter to \$0.14 per share of common stock, which is payable on May 15, 2014 to shareholders of record as of May 1, 2014.

**Strong Asset Quality**

The Bank’s credit quality remains very strong. Nonperforming assets were 12 basis points of total assets.

Net charge-offs for the quarter totaled 1 basis point of average loans.

In the first quarter, the Bank recorded a provision for loan losses of \$7.1 million. This provision is related primarily to the continued growth in new loans. The allowance related to loans originated since our independence on July 1, 2010 totaled \$150.2 million, or 0.52% of such loans outstanding.

**Additional Capital Strength**

The Bank’s Tier 1 leverage ratio was 9.85% at March 31, 2014, compared to 9.19% at year-end.

During the quarter, the Bank sold 4.6 million shares of new common stock, which added approximately \$240.0 million to common equity.

**Growing Book Value**

Book value per common share was \$26.21 at March 31, 2014, up 6.4% for the quarter and up 14.1% from a year ago.

**Franchise Development***Composition of Loan Originations*

Loan originations totaled \$3.2 billion for the quarter. Single family and home equity lines of credit originations were \$1.8 billion, or 55% of total originations; 60% of single family home loan originations were for purchases.

*Total Assets*

Total assets were \$44.3 billion, up 5.3% for the quarter.

*Excellent Deposit Results*

Total deposits increased to \$33.6 billion, up 4.6% for the quarter and up 25.0% compared to a year ago. At March 31, 2014, 96% of deposits were core deposits; 51% of deposits were checking accounts. <sup>(2)</sup>

The average contractual rate paid on all deposits declined to 0.21% for the quarter, compared to 0.25% for the prior quarter.

*Expansion of Wealth Management Assets and Revenues*

Total wealth management assets were \$45.1 billion, up 8.6% for the quarter and up 30.3% compared to a year ago. Such growth in wealth management assets since year-end was primarily due to net new assets obtained from new and existing clients. Wealth management assets include investment management assets of \$23.3 billion, brokerage assets and money market mutual funds of \$15.7 billion, and trust and custody assets of \$6.2 billion.

Wealth management revenues for the quarter totaled \$38.7 million, up 4.3% compared to the prior quarter and 31.1% compared to last year's first quarter.

*Mortgage Banking Activity*

Mortgage banking sales volume and profitability were down compared to the first quarter of last year, which had the highest quarterly gain on sale in the Bank's history. The Bank sold \$346.2 million of primarily longer-term, fixed-rate home loans during the quarter and recorded net gains of \$2.8 million, or 0.82% of loans sold. Gain on sale contributed \$0.01 to diluted EPS for the quarter, compared to \$0.11 for the quarter a year ago.

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<sup>(2)</sup> Core deposits exclude CDs greater than \$250,000.

Loans serviced for investors totaled \$6.2 billion, up 3.3% from the prior quarter and 14.1% from a year ago primarily due to the increased level of loan sales since the beginning of 2013. The carrying value of mortgage servicing rights was \$30.3 million, or 49 basis points of such loans serviced.

### **Income Statement and Key Ratios**

#### *Revenue Growth*

Total revenues were \$381.7 million for the quarter, a 2.9% increase from the prior quarter and a 3.1% increase over the first quarter last year.

Core revenues were \$362.2 million for the quarter, a 4.7% increase from the prior quarter and a 7.8% increase over the first quarter last year. <sup>(1)</sup>

#### *Net Interest Income Growth*

Net interest income was \$320.7 million for the quarter, a 1.9% increase from the prior quarter and a 7.6% increase over the first quarter last year.

Core net interest income was \$301.2 million for the quarter, up 4.0% from the prior quarter and up 14.2% over the first quarter last year. <sup>(1)</sup>

#### *Net Interest Margin*

The Bank's net interest margin was 3.37% for the quarter, compared to 3.32% for the prior quarter.

The core net interest margin was 3.17% for the quarter, compared to 3.06% for the prior quarter. <sup>(1)</sup>

The increase in core net interest margin for the first quarter was primarily due to a reduction in average interest-earning cash balances during the quarter. Such average cash was \$1.2 billion for the first quarter, compared to \$2.6 billion in the prior quarter, resulting in approximately 10 basis points of the 11 basis point increase in core net interest margin. <sup>(1)</sup>

#### *Noninterest Income*

Noninterest income for the quarter was \$61.0 million, an 8.6% increase compared to the prior quarter. Noninterest income, excluding gain on sale of loans, increased 25.7% over the first quarter last year.

These increases in noninterest income are primarily due to increases in investment advisory fees.

### Noninterest Expense and Efficiency Ratio

Noninterest expense for the quarter was \$217.5 million, an 8.2% increase over the prior quarter and a 16.6% increase from the first quarter a year ago. The increase in noninterest expense from the prior quarter is attributed to increased personnel costs primarily due to seasonal payroll taxes, incentive compensation related to the expansion of wealth management and increases in health care costs.

The Bank's efficiency ratio was 57.0% for the quarter, compared to 54.2% for the prior quarter and 50.4% for the first quarter a year ago.

The Bank's core efficiency ratio was 58.9% for the quarter, compared to 56.9% for the prior quarter and 54.1% for the first quarter a year ago.<sup>(1)</sup> The increase in the efficiency ratio compared to the prior quarter is predominantly the result of seasonal increases in payroll taxes. The efficiency ratio in the first quarter of 2013 significantly benefitted from the unusually high level of gain on sale of loans.

### Income Tax Rate

The Bank's effective tax rate for 2014 is expected to be 27.0%, compared to 30.4% for 2013. The decrease in the effective tax rate results from the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-advantaged loans.

### Conference Call Details

First Republic Bank's first quarter 2014 earnings conference call is scheduled for April 16, 2014 at 11:00 a.m. PT / 2:00 p.m. ET. To listen to the live call by telephone, please dial (855) 224-3902 approximately 10 minutes prior to the start time (to allow time for registration) and use conference ID #19743263. International callers should dial (734) 823-3244. The call will also be broadcast live over the Internet and can be accessed in the Investor Relations section of First Republic's website at [www.firstrepublic.com](http://www.firstrepublic.com). To listen to the live webcast, please visit the site at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. A replay of the call will also be available for 90 days on the website. For those unable to participate in the live presentation, a replay will be available beginning April 16, 2014, at 12:00 p.m. PT / 3:00 p.m. ET, through April 24, 2014, at 8:59 p.m. PT / 11:59 p.m. ET. To access the replay, dial (855) 859-2056 (U.S.) and use conference ID #19743263. International callers should dial (404) 537-3406 and enter the same conference ID number. The Bank's press releases are available after release on the Bank's website at [www.firstrepublic.com](http://www.firstrepublic.com).

### About First Republic Bank

First Republic Bank (NYSE: FRC) is a full-service bank specializing in private banking and private business banking. The Bank's wealth management affiliates offer trust, investment consulting and advisory services. Founded in 1985, First Republic specializes in exceptional, relationship-based service offered through preferred banking or wealth management offices

primarily in San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland, Boston, Greenwich, Palm Beach and New York City. First Republic offers a complete line of banking products for individuals and businesses, including deposit services, as well as residential, commercial and personal loans. For more information, visit [www.firstrepublic.com](http://www.firstrepublic.com).

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this press release that are not historical facts are hereby identified as “forward-looking statements” for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipates,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimates,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases and include statements about economic performance in our markets, growth in our loan originations and wealth management assets, and our projected tax rate. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to: our ability to compete for banking and wealth management customers; earthquakes and other natural disasters in our markets; changes in interest rates; our ability to maintain high underwriting standards; economic conditions in our markets; conditions in financial markets and economic conditions generally; regulatory restrictions on our operations and current or future legislative or regulatory changes affecting the banking and investment management industries. For a discussion of these and other risks and uncertainties, see First Republic’s FDIC filings, including, but not limited to, the risk factors in First Republic’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available in the Investor Relations section of our website. All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

**CONSOLIDATED STATEMENT OF INCOME**

(in thousands, except per share amounts)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
Interest income:			
Loans	\$ 307,687	\$ 288,093	\$ 307,876
Investments	48,844	35,479	43,965
Cash and cash equivalents	780	174	1,637
Total interest income	<u>357,311</u>	<u>323,746</u>	<u>353,478</u>
Interest expense:			
Deposits	15,231	11,010	18,049
Borrowings	<u>21,377</u>	<u>14,687</u>	<u>20,605</u>
Total interest expense	<u>36,608</u>	<u>25,697</u>	<u>38,654</u>
Net interest income	320,703	298,049	314,824
Provision for loan losses	<u>7,095</u>	<u>6,478</u>	<u>7,815</u>
Net interest income after provision for loan losses	<u>313,608</u>	<u>291,571</u>	<u>307,009</u>
Noninterest income:			
Investment advisory fees	33,308	25,099	30,731
Brokerage and investment fees	3,005	2,391	3,912
Trust fees	2,419	2,060	2,478
Foreign exchange fee income	3,507	3,087	3,248
Deposit fees	4,544	4,644	4,545
Gain on sale of loans	2,845	25,990	306
Loan servicing fees, net	1,996	336	2,152
Loan and related fees	1,908	1,912	1,741
Income from investments in life insurance	6,975	5,884	6,756
Other income	<u>505</u>	<u>865</u>	<u>331</u>
Total noninterest income	<u>61,012</u>	<u>72,268</u>	<u>56,200</u>
Noninterest expense:			
Salaries and employee benefits	120,585	101,884	103,301
Occupancy	24,105	22,088	23,306
Information systems	21,421	17,823	22,132
FDIC and other deposit assessments	7,444	6,827	7,500
Professional fees	7,216	3,713	7,316
Advertising and marketing	6,014	5,803	6,994
Amortization of intangibles	6,004	6,856	6,218
Other expenses	<u>24,702</u>	<u>21,540</u>	<u>24,162</u>
Total noninterest expense	<u>217,491</u>	<u>186,534</u>	<u>200,929</u>
Income before provision for income taxes	157,129	177,305	162,280
Provision for income taxes	<u>42,425</u>	<u>54,752</u>	<u>46,981</u>
First Republic Bank net income	<u>114,704</u>	<u>122,553</u>	<u>115,299</u>
Dividends on preferred stock	<u>13,889</u>	<u>7,776</u>	<u>12,800</u>
Net income available to common shareholders	<u>\$ 100,815</u>	<u>\$ 114,777</u>	<u>\$ 102,499</u>
Basic earnings per common share	<u>\$ 0.76</u>	<u>\$ 0.88</u>	<u>\$ 0.78</u>
Diluted earnings per common share	<u>\$ 0.73</u>	<u>\$ 0.85</u>	<u>\$ 0.75</u>
Dividends per common share	<u>\$ 0.12</u>	<u>\$ —</u>	<u>\$ 0.12</u>
Weighted average shares—basic	<u>132,880</u>	<u>130,846</u>	<u>131,905</u>
Weighted average shares—diluted	<u>137,295</u>	<u>135,252</u>	<u>136,522</u>

**CONSOLIDATED BALANCE SHEET**

(\$ in thousands)	As of		
	March 31, 2014	December 31, 2013	March 31, 2013
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,762,222	\$ 807,885	\$ 552,837
Securities purchased under agreements to resell	28,889	100	100
Investment securities available-for-sale	1,639,760	1,571,206	1,382,138
Investment securities held-to-maturity	3,337,518	3,252,534	2,624,120
Loans:			
Single family (1-4 units)	19,967,016	19,869,491	16,654,668
Home equity lines of credit	1,979,494	1,961,476	1,795,775
Multifamily (5+ units)	4,231,518	4,022,457	3,278,219
Commercial real estate	3,526,209	3,430,881	2,932,676
Single family construction	319,904	290,314	250,587
Multifamily/commercial construction	322,505	278,456	166,027
Commercial business	3,593,142	3,582,054	2,608,651
Other secured	427,913	397,878	356,688
Unsecured loans and lines of credit	205,644	202,197	246,198
Stock secured	200,884	163,650	151,156
Total unpaid principal balance	34,774,229	34,198,854	28,440,645
Net unaccreted discount	(202,481)	(220,147)	(301,549)
Net deferred fees and costs	24,331	21,841	18,356
Allowance for loan losses	(159,641)	(153,005)	(136,100)
Loans, net	34,436,438	33,847,543	28,021,352
Loans held for sale	505,445	58,759	230,578
Investments in life insurance	772,216	766,291	707,775
Tax credit investments	742,682	688,870	475,430
Prepaid expenses and other assets	689,397	680,756	655,286
Premises, equipment and leasehold improvements, net	164,507	166,544	153,365
Goodwill	106,549	106,549	106,549
Other intangible assets	126,741	132,745	152,036
Mortgage servicing rights	30,333	29,781	23,142
Other real estate owned	3,200	3,200	—
Total Assets	\$ 44,345,897	\$ 42,112,763	\$ 35,084,708
<b><u>LIABILITIES AND EQUITY</u></b>			
Liabilities:			
Deposits:			
Noninterest-bearing checking accounts	\$ 9,367,439	\$ 8,859,276	\$ 7,344,677
Interest-bearing checking accounts	7,773,825	7,325,235	6,297,551
Money Market (MM) checking accounts	5,194,631	4,966,626	4,145,038
MM savings and passbooks	7,617,688	7,025,686	6,242,098
Certificates of deposit	3,614,355	3,905,893	2,823,750
Total Deposits	33,567,938	32,082,716	26,853,114
Short-term borrowings	—	—	810,000
Long-term debt	5,650,000	5,150,000	3,450,000
Debt related to variable interest entities	41,743	43,132	53,143
Other liabilities	592,181	676,868	398,741
Total Liabilities	39,851,862	37,952,716	31,564,998
Shareholders' Equity:			
Preferred stock	889,525	889,525	499,525
Common stock	1,375	1,328	1,315
Additional paid-in capital	2,289,799	2,042,027	2,035,558
Retained earnings	1,298,667	1,213,896	955,088
Accumulated other comprehensive income	14,669	13,271	28,224
Total Shareholders' Equity	4,494,035	4,160,047	3,519,710
Total Liabilities and Shareholders' Equity	\$ 44,345,897	\$ 42,112,763	\$ 35,084,708

	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Operating Information</b>			
Net income to average assets <sup>(3)</sup>	1.07%	1.43%	1.07%
Net income available to common shareholders to average common equity <sup>(3)</sup>	12.11%	15.62%	12.51%
Dividend payout ratio	16.3%	—% <sup>(4)</sup>	16.0%
Efficiency ratio <sup>(5)</sup>	57.0%	50.4%	54.2%
Efficiency ratio (non-GAAP) <sup>(1), (5)</sup>	58.9%	54.1%	56.9%
<b>Yields/Rates <sup>(3)</sup></b>			
Cash and cash equivalents	0.25%	0.23%	0.25%
Investment securities <sup>(6), (7)</sup>	5.17%	5.07%	5.27%
Loans <sup>(6), (8)</sup>	<u>3.65%</u>	<u>4.11%</u>	<u>3.75%</u>
Total interest-earning assets	3.74%	4.19%	3.70%
Checking	0.02%	0.01%	0.02%
Money market checking and savings	0.16%	0.11%	0.22%
CDs <sup>(8)</sup>	<u>1.06%</u>	<u>1.09%</u>	<u>1.01%</u>
Total deposits	0.19%	0.17%	0.22%
Short-term borrowings	—%	0.21%	0.00%
Long-term FHLB advances	1.56%	1.79%	1.57%
Other long-term debt	<u>1.80%</u>	<u>1.73%</u>	<u>1.84%</u>
Total borrowings	<u>1.56%</u>	<u>1.47%</u>	<u>1.57%</u>
Total interest-bearing liabilities	0.39%	0.34%	0.40%
Net interest spread	3.35%	3.85%	3.30%
Net interest margin	3.37%	3.87%	3.32%
Net interest margin (non-GAAP) <sup>(1)</sup>	3.17%	3.42%	3.06%

<sup>(3)</sup> Ratios are annualized.

<sup>(4)</sup> The fourth quarter of 2012 dividend of \$0.10 per share was declared and paid early in December 2012, which resulted in no dividend payment during the first quarter of 2013.

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

<sup>(6)</sup> Yield is calculated on a tax-equivalent basis.

<sup>(7)</sup> Includes FHLB stock and securities purchased under agreements to resell.

<sup>(8)</sup> Yield/rate includes accretion/amortization of purchase accounting discounts/premiums.

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

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Mortgage Loan Sales</b>			
Loans sold:			
Agency	\$ 30,565	\$ 165,281	\$ 53,296
Non-agency	315,635	1,052,859	162,480
Total loans sold	<u>\$ 346,200</u>	<u>\$ 1,218,140</u>	<u>\$ 215,776</u>
Gain on sale of loans:			
Amount	\$ 2,845	\$ 25,990	\$ 306
Gain as a percentage of loans sold	0.82%	2.13%	0.14%

The following table presents loan originations, by product type, for the periods indicated:

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
Single family (1-4 units)	\$ 1,446,212	\$ 2,061,908	\$ 1,862,710
Home equity lines of credit	326,717	259,789	308,318
Multifamily (5+ units)	386,998	432,029	216,388
Commercial real estate	226,588	154,520	247,825
Construction	151,282	105,236	196,085
Commercial business	469,953	372,345	994,361
Other loans	213,748	160,031	230,182
Total loans originated	\$ 3,221,498	\$ 3,545,858	\$ 4,055,869

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

(\$ in thousands)	Composition of Loan Portfolio		
	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans at March 31, 2014
Single family (1-4 units)	\$ 3,584,656	\$ 16,382,360	\$ 19,967,016
Home equity lines of credit	727,380	1,252,114	1,979,494
Multifamily (5+ units)	434,792	3,796,726	4,231,518
Commercial real estate	802,979	2,723,230	3,526,209
Single family construction	7,159	312,745	319,904
Multifamily/commercial construction	1,151	321,354	322,505
Commercial business	377,342	3,215,800	3,593,142
Other secured	38,773	389,140	427,913
Unsecured loans and lines of credit	35,962	169,682	205,644
Stock secured	4,501	196,383	200,884
Total unpaid principal balance	6,014,695	28,759,534	34,774,229
Net unaccreted discount	(202,087)	(394)	(202,481)
Net deferred fees and costs	(6,308)	30,639	24,331
Allowance for loan losses	(9,438)	(150,203)	(159,641)
Loans, net	\$ 5,796,862	\$ 28,639,576	\$ 34,436,438

(in thousands, except per share amounts)	As of				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
<b>Book Value</b>					
Number of shares of common stock outstanding	137,521	132,768	132,179	131,822	131,481
Book value per common share	\$ 26.21	\$ 24.63	\$ 24.13	\$ 23.50	\$ 22.97
Tangible book value per common share	\$ 24.51	\$ 22.83	\$ 22.27	\$ 21.59	\$ 21.00
<b>Capital Ratios</b>					
Tier 1 leverage ratio	9.85%	9.19%	9.18%	9.83%	9.36%
Tier 1 common equity ratio <sup>(9)</sup>	11.12%	10.30%	10.57%	10.87%	11.44%
Tier 1 risk-based capital ratio	14.07%	13.34%	13.06%	13.52%	13.53%
Total risk-based capital ratio	14.64%	13.89%	13.62%	14.12%	14.13%

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

(\$ in millions)	As of				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
<b>Assets Under Management</b>					
First Republic Investment Management	\$ 23,286	\$ 21,812	\$ 20,093	\$ 19,045	\$ 18,573
Brokerage and Investment:					
Brokerage	14,474	12,933	11,905	10,784	10,357
Money Market Mutual Funds	1,224	941	870	929	870
Total Brokerage and Investment	15,698	13,874	12,775	11,713	11,227
Trust Company:					
Trust	3,173	3,013	2,857	2,822	2,326
Custody	2,985	2,879	2,510	2,766	2,520
Total Trust Company	6,158	5,892	5,367	5,588	4,846
Total Wealth Management Assets	45,142	41,578	38,235	36,346	34,646
Loans serviced for investors	6,198	6,000	5,957	6,036	5,433
Total fee-based assets	\$ 51,340	\$ 47,578	\$ 44,192	\$ 42,382	\$ 40,079

**Asset Quality Information**

(\$ in thousands)	As of				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Nonperforming assets:					
Nonaccrual loans	\$ 52,109	\$ 54,492	\$ 51,847	\$ 62,824	\$ 49,873
Other real estate owned	3,200	3,200	3,353	—	—
Total nonperforming assets	\$ 55,309	\$ 57,692	\$ 55,200	\$ 62,824	\$ 49,873
Nonperforming assets to total assets	0.12%	0.14%	0.13%	0.17%	0.14%
Accruing loans 90 days or more past due	\$ —	\$ —	\$ —	\$ —	\$ 5,959
Restructured accruing loans	\$ 18,278	\$ 19,984	\$ 19,950	\$ 18,766	\$ 18,223

**(\$ in thousands)**

Net loan charge-offs to allowance for loan losses

Net loan charge-offs to average total loans <sup>(3)</sup>

	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
Net loan charge-offs to allowance for loan losses	\$ 459	\$ 267	\$ 722
Net loan charge-offs to average total loans <sup>(3)</sup>	0.01%	0.00%	0.01%

(\$ in thousands)	Average Balance Sheet		
	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,245,562	\$ 307,562	\$ 2,590,814
Investment securities <sup>(10)</sup>	5,283,388	4,011,375	4,696,478
Loans <sup>(11)</sup>	34,479,799	28,439,583	33,161,682
Total interest-earning assets	41,008,749	32,758,520	40,448,974
Noninterest-earning cash	218,288	242,241	230,262
Goodwill and other intangibles	236,210	261,921	242,297
Other assets	1,904,425	1,593,086	1,863,580
Total noninterest-earning assets	2,358,923	2,097,248	2,336,139
Total Assets	\$ 43,367,672	\$ 34,855,768	\$ 42,785,113
<b>Liabilities and Equity:</b>			
Checking	\$ 16,564,715	\$ 13,237,987	\$ 16,011,898
Money market checking and savings CDs <sup>(11)</sup>	12,670,094	10,629,230	12,814,579
Total deposits	32,940,200	26,761,276	32,822,176
Short-term borrowings	—	832,200	12
Long-term FHLB advances	5,517,778	3,165,556	5,150,000
Other long term-debt	42,592	55,406	45,874
Total borrowings	5,560,370	4,053,162	5,195,886
Total interest-bearing liabilities	38,500,570	30,814,438	38,018,062
Noninterest-bearing liabilities	602,576	561,572	685,217
Preferred equity	889,525	499,525	830,829
Common equity	3,375,001	2,980,233	3,251,005
Total Liabilities and Equity	\$ 43,367,672	\$ 34,855,768	\$ 42,785,113

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

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

### Purchase Accounting Accretion and Amortization

The following table presents the impact of purchase accounting from the Bank's re-establishment as an independent institution for the periods indicated:

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
	<b>Accretion/amortization to net interest income:</b>		
Loans	\$ 17,615	\$ 30,834	\$ 22,356
Deposits	1,923	3,440	2,802
Total	\$ 19,538	\$ 34,274	\$ 25,158
<b>Amortization to noninterest expense:</b>			
Intangible assets	\$ 4,127	\$ 4,769	\$ 4,289

**Use of Non-GAAP Financial Measures**

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

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

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

	<b>Three Months Ended March 31,</b>		<b>Three Months Ended December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>(in thousands, except per share amounts)</b>			
<b>Non-GAAP earnings</b>			
Net income	\$ 114,704	\$ 122,553	\$ 115,299
Accretion/amortization added to net interest income	(19,538)	(34,274)	(25,158)
Amortization of intangible assets	4,127	4,769	4,289
Add back tax impact of the above items	6,550	12,540	8,869
Non-GAAP net income	105,843	105,588	103,299
Dividends on preferred stock	(13,889)	(7,776)	(12,800)
Non-GAAP net income available to common shareholders	<u>\$ 91,954</u>	<u>\$ 97,812</u>	<u>\$ 90,499</u>
GAAP earnings per common share—diluted	\$ 0.73	\$ 0.85	\$ 0.75
Impact of purchase accounting, net of tax	(0.06)	(0.13)	(0.09)
Non-GAAP earnings per common share—diluted	<u>\$ 0.67</u>	<u>\$ 0.72</u>	<u>\$ 0.66</u>
Weighted average diluted common shares outstanding	<u>137,295</u>	<u>135,252</u>	<u>136,522</u>

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Yield on average loans</b>			
Interest income on loans	\$ 307,687	\$ 288,093	\$ 307,876
Add: Tax-equivalent adjustment on loans	6,519	3,967	6,013
Interest income on loans (tax-equivalent basis)	314,206	292,060	313,889
Less: Accretion	(17,615)	(30,834)	(22,356)
Non-GAAP interest income on loans (tax-equivalent basis)	\$ 296,591	\$ 261,226	\$ 291,533
Average loans	\$ 34,479,799	\$ 28,439,583	\$ 33,161,682
Add: Average unaccreted loan discounts	214,055	323,068	234,580
Average loans (non-GAAP)	\$ 34,693,854	\$ 28,762,651	\$ 33,396,262
Yield on average loans—reported <sup>(6)</sup>	3.65%	4.11%	3.75%
Contractual yield on average loans (non-GAAP) <sup>(6)</sup>	3.42%	3.64%	3.46%

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Cost of average deposits</b>			
Interest expense on deposits	\$ 15,231	\$ 11,010	\$ 18,049
Add: Amortization of CD premiums	1,923	3,440	2,802
Non-GAAP interest expense on deposits	\$ 17,154	\$ 14,450	\$ 20,851
Average deposits	\$ 32,940,200	\$ 26,761,276	\$ 32,822,176
Less: Average unamortized CD premiums	(6,371)	(17,459)	(8,863)
Average deposits (non-GAAP)	\$ 32,933,829	\$ 26,743,817	\$ 32,813,313
Cost of average deposits—reported	0.19%	0.17%	0.22%
Contractual cost of average deposits (non-GAAP)	0.21%	0.22%	0.25%

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Net interest margin</b>			
Net interest income	\$ 320,703	\$ 298,049	\$ 314,824
Add: Tax-equivalent adjustment	25,853	19,327	23,919
Net interest income (tax-equivalent basis)	346,556	317,376	338,743
Less: Accretion/amortization	(19,538)	(34,274)	(25,158)
Non-GAAP net interest income (tax-equivalent basis)	\$ 327,018	\$ 283,102	\$ 313,585
Average interest-earning assets	\$ 41,008,749	\$ 32,758,520	\$ 40,448,974
Add: Average unaccreted loan discounts	214,055	323,068	234,580
Average interest-earning assets (non-GAAP)	\$ 41,222,804	\$ 33,081,588	\$ 40,683,554
Net interest margin—reported	3.37%	3.87%	3.32%
Net interest margin (non-GAAP)	3.17%	3.42%	3.06%

(\$ in thousands)	Three Months Ended March 31,		Three Months Ended December 31,
	2014	2013	2013
<b>Efficiency ratio</b>			
Net interest income	\$ 320,703	\$ 298,049	\$ 314,824
Less: Accretion/amortization	(19,538)	(34,274)	(25,158)
Net interest income (non-GAAP)	<u>\$ 301,165</u>	<u>\$ 263,775</u>	<u>\$ 289,666</u>
Noninterest income	\$ 61,012	\$ 72,268	\$ 56,200
Total revenue	\$ 381,715	\$ 370,317	\$ 371,024
Total revenue (non-GAAP)	\$ 362,177	\$ 336,043	\$ 345,866
Noninterest expense	\$ 217,491	\$ 186,534	\$ 200,929
Less: Intangible amortization	(4,127)	(4,769)	(4,289)
Noninterest expense (non-GAAP)	<u>\$ 213,364</u>	<u>\$ 181,765</u>	<u>\$ 196,640</u>
Efficiency ratio	57.0%	50.4%	54.2%
Efficiency ratio (non-GAAP)	58.9%	54.1%	56.9%

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