


Rating
Hold

North America
United States

Financial
Banks

Company
First Republic Bank

Reuters
FRC.N

Bloomberg
FRC UN

Exchange
NYS
Ticker
FRC

Date
16 July 2018

Results

Price at 13 Jul 2018 (USD)	97.74
Price Target (USD)	96.00
52-week range (USD)	105.17 - 84.96

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Stock & option liquidity data

Market Cap (USD)	15,865.2
Shares outstanding (m)	162.3
Avg. daily volume ('000)	224,738

Source: Deutsche Bank

Valuation

Our target of \$96 is based on the average of a P/E of 17.9x our FY19 core EPS est. and a P/TBV of 2.02x our 2Q19 TBV/sh est., a material premium on P/E vs. the industry P/E we expect one year out, to reflect stronger expected EPS growth vs. the group in FY19, and a modestly lower P/TBV vs. what we expect for the group one year out, to reflect the lower expected ROTCE for FRC vs. that we expect for the group, with continued multiple support stemming from the persistent market perception that FRC is a higher quality franchise (and possibly still a take-out candidate due to its quality and wealth mgmt. earnings stream), which should continue to bolster the valuation over the next year.

Risks

Upside risks: (1) Stronger growth than expected (AUM, loans, deposits), and (2) a material curve steepening. Downside risks: (1) stronger competitive pressures on loan structure in the market, which could drive slower loan gr. given FRC's more conservative credit culture, (2) weaker deposit gr., which could pressure NIM, and (3) falling real estate prices, or weakening market fundamentals in FRC's coastal urban markets.

Adjusting FY19 EPS Lower on Higher Exp./Shares, Lower NII, Reit. Hold

Reit. Hold, PT \$96: Core EPS -\$0.01/-0.05 to \$4.74/\$5.35 in FY18/19

We are reit. our Hold rating on shares of FRC, our price target of \$96, and on Friday, we adj. our core EPS by -\$0.01/-0.05 to \$4.74/\$5.35 in FY18/19, which include a greater tax benefit by \$0.035/sh in 2Q18, and our adjusted estimates for a higher avg. diluted share count, higher expenses, and lower core NII in FY19, which was only partially offset by higher core fee income, due to the 2Q18 beat. Our FY19 est. core exp. gr. rate of ~14% and core efficiency ratio of 63.6% appear appropriate given mgmt.'s revised guidance on exp., and comments regarding the core systems replacement and upward pressure from gr. in wealth mgmt., offset by the roll-off of the FDIC insurance surcharge.

Our take post call (see our First Read note dated July 13 for trends/analysis)

In our 2Q18 earnings preview, we had noted the risk of a worsening NIM/efficiency ratio guide given a tougher funding set-up in 2Q18, which was partly realized on the earnings call, with a NIM guide that was worse than consensus ests. (despite the 2Q18 beat on NIM), the increased expense gr. guidance to high-teens gr. in FY18, and the establishment of the 63%-64% efficiency ratio for FY19 (vs. a consensus ratio of 62.3% pre-print). Mgmt. guided NIM down 4 bps in 3Q18 and 4 bps (or a little less than this) in 4Q18, pointing to a NIM of 2.87%-2.89% in 4Q18, vs. cons. NIM of 2.90% pre-print, erasing the NIM beat in 2Q18 (2.95% reported vs. 2.92% for cons.). Given this NIM guidance, and the color that the roll-off of the FDIC surcharge exp. should be offset by core systems enhancement exp. and gr. in the wealth mgmt. business, we expect the consensus efficiency ratio to increase post the report. We view the mid-teens loan gr. guidance reiteration as conservative, as we expect nearly 20% loan HFI gr. in FY18. While mgmt. did note an increasing incidence of the big banks competing on loan structure (higher LTVs) that pressure sounds more anecdotal, and not a material threat to FRC's higher pace of loan gr. That said, while mgmt. did note the pipeline remains strong, it is weaker in business banking (due partially to lower expected capital call line activity) vs. the pipeline last quarter, and mgmt. noted the typical seasonal pattern for loan gr. to slow in 3Q, driving the guidance reiteration. Regarding capital, we pulled forward our expectation for a common equity raise to 1Q19, based on mgmt. commentary that it could be back in the market in the next few quarters, and increased the size of the offering we expect, given the lower tier 1 leverage ratio in our revised model by 4Q18 (8.36%).

Forecasts And Ratios

Year End Dec 31	2017A	2018E	2019E
1Q EPS	1.01	1.09A	1.18
2Q EPS	1.06	1.20A	1.31
3Q EPS	1.12	1.19	1.38
4Q EPS	1.34	1.26	1.48
FY EPS (USD)	4.53	4.74	5.35
P/E	21.1	20.6	18.3
Dividend yield (%)	0.7	0.7	0.8

Source: Deutsche Bank estimates, company data

Deutsche Bank Securities Inc.

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Where we stand on the stock (cont. on p. 2, model p. 4-5, EPS variance p. 6)

We see more limited upside potential for FRC shares given the valuation premium in the context of our expectation for downside to consensus EPS in FY19 due to NIM/expense risk (we see the consensus efficiency ratio as too low in FY19), keeping us on the sidelines. We like the stronger EPS gr. in FY19, higher quality nature of the franchise, and larger wealth mgmt. EPS component vs. the group, supporting a premium valuation, but with the narrative including upside risk to expense est. in FY19, and with shares trading at a P/E of 18.3x FY19E, a ~6.5x premium vs. the \$50B+ asset banks in our coverage, we see this valuation, and our target valuation (which reflects a reduced premium on our expected group valuation) as fair, given the potential downside risk to consensus EPS, and the more limited upside potential to our growth estimates.

Guidance

NIM. 7/13: NIM guidance for 2.85%-2.95% for the rest of 2018, with 4 bps of compression in 3Q18, and slightly less pressure in 4Q18 (~2-3 bps down), with the annual average to be near the middle, to slightly above the middle, of the guidance range. Further NIM compression is weighted more towards the flattening of the yield curve vs. deposit inflows. The NIM guide assumes two more rate hikes (in Sep. and Dec., with some upside to the 10-Year UST). In 2Q18, FRC added termed FHLB funding with a cost of 2.75%-2.80% with a 2-3 year duration. Deposit pricing pressures are fairly standard across FRC's platform, and mgmt. noted competitors have been moving deposit costs higher post the June rate hike. Capital call line spreads have remained generally stable. Single family originations in 2Q18 were pricing at 3.70%, with recent locks slightly higher. 2Q18 multifamily originations were 3.90%, while CRE originations were 4.35%. Securities reinvestment yields are around 3.70%, and given these are generally in line with loan yields, these are not as attractive to FRC, given the bank can capture relationships with the loan gr. vs. adding securities. The spot rate for deposits at period-end 2Q18 was in the mid-0.40%s. Since 3Q15, the cost of liabilities beta is ~18%, and the cost of deposit beta is 24%.

Credit. 7/13: Large banks are increasing pressure on structure in 2Q18, largely via higher LTVs. New origination LTVs at FRC for 2Q18: resi – 56%, multifamily – 50%, CRE – 47%. While standards are going lower for the competition, they are not bad yet, so the loan gr. guidance was not impacted by worsening standards.

Expenses. 7/13: Expect high-teens expense gr. for FY18 (vs. mid-to high teens given in the 1Q18 EPS call). Reiterated 63%-64% FY18 eff. ratio guidance, and expects that range to hold longer-term beyond FY18 as well, and will include the core systems replacement cost, and the ongoing shift of wealth mgmt. becoming a larger piece of the franchise. FRC hired 4 new teams in 2Q18, the pipeline for teams remains good, could see a slight decline in team hiring in 2H18 but still robust. The FDIC 4.5 bps surcharge for large banks equates to ~\$35M annually, which is expected to go away in FY19, and the savings will be used to invest in FRC's new core banking system, which will occur over the next few years. Mgmt. expects a \$15M-\$16M quarterly level for both the professional fees and advertising line items are not bad quarterly run rates going forward near-term, while the other expense line is expected to also remain near the 2Q18 level. **6/13:** Crapo law could save some expense on the margin, but the bigger positive impact relates to increasing mgmt. efficiency via improving time allocation. Mgmt. noted expenses primarily reflect three categories: business banking, wealth mgmt., and the youth generation (PLP, Gradifi). Business banking requires the least investment, remains highly profitable. WM has costs associated with onboarding new teams, but capital requirements are low. The younger generation includes PLP which could take 15-18 months to reach profitability. Mgmt. has hired 3 new wealth teams in 1Q18, with another in April, and expects further hiring announcements in the future. **4Q:** The wealth mgmt. group is growing ~30% vs. 20% for the bank, and operating at a 80%-85% efficiency ratio range. **3Q:** FRC has 175 RMs, plans to add 24 through its internal training over the next 6-12 months.

Tax rate. 7/13: Reiterated 19% as a good level for the effective tax rate for FY18. 2Q tax rates are generally lower due to more tax benefits related to



vesting of restricted stock awards (the majority of this occurs in 2Q). **4Q:** Tax rate outlook includes lower stock option transaction benefits in future periods in 2018/2019. Stock options have a 10-year life, expire mid-2020, at the start of Oct., there were 4M in options outstanding, now at 2.4M, and these could be exercised over the next 8-10 quarters in a more normalized pattern. Tax credit investments could be more moderate, tax credit amort. is ~\$25M-\$30M per quarter, and is included in the tax rate line.

Loans. 7/13: Reiterated prior guidance of mid-teens loan growth for FY18, the loan pipeline remains strong. 2Q18 resi was 56% purchase, 44% refi. 2Q18 saw unusually strong capital call line activity from significant client activity in the PE/VC space (new and existing clients), this growth will likely not repeat in 3Q18. Utilization rates on business lines of credit are ~45%. Single family originations had a 59% weighted LTV in 2Q18, while multifamily and CRE originations have a 50% and 47% weighted LTV. Mgmt. indicated seeing bigger banks within FRC's coastal markets stretching more on credit terms (a \$3-4M 90% LTV loan was cited as an example), esp. in resi lending, which remains competitive, as pricing remains tight, and loan standards are declining. FRC's urban coastal markets are experiencing a supply shortage (with NYC being an exception, but mostly at the high end), which is FRC's biggest constraint on loan gr. **1Q:** Reiterated prior guidance of mid-teens loan growth for FY18. **4Q:** Expect deposit growth to cover loan growth, targeting a L/D ratio in the low 90%.

Securities/HQLA. 7/13: Reiterated 12% of assets, anything beyond that will be opportunistic. Mgmt. will work with regulators in the near future to determine the appropriate treatment for muni securities as it related to HQLA give recent reg reform.

Deposits. 7/13: Deposit growth expected to be seasonally stronger in 2H18. 2Q18 deposits were impacted by significantly higher tax outflows (45% higher than in 2Q17), and driven primarily by consumer customers. On CD growth, FRC is seeing a mix of new money and clients moving funds from other products. Over 50% of CD clients have other deposit relationships. Mgmt. does expect some shift from checking into savings/CDs, however, checking remains ~63% of total deposits. Mgmt. does not manage to a certain loan/deposit ratio. **1Q:** Deposit gr. to fully fund loan gr., 2H tends to be seasonally stronger. A large portion of the \$1.7B of CD gr. in 1Q18 was in retail CDs, 50% are tied to a checking relationship, retail CDs are a product that will lead to further cross-selling, deepening relationships. Mgmt. indicated every \$1 of business loans results in ~\$4-\$4.50 of business dep. (54% of total dep.).

Gradifi. 7/13: Mgmt. reiterated its outlook for profitability to be achieved in 2020, noted a new 529 college product added to the platform this April, and indicated it would add a tuition reimbursement component in 2019. Also, Gradifi Refi continues to ramp up. The household acquisition rate is ~\$8.5K-\$9K annually for Gradifi. **1Q:** Expenses were just under \$5M, mgmt. still believes \$17M-\$18M is a good annual run-rate. Mgmt. indicated profitability would occur past 2019, maybe in 2020, currently has a loss rate of \$15M-\$16M. **4Q:** Gradifi expense in FY17 was ~\$17M.

Capital. 7/13: Mgmt. expects to be back in the capital markets in the next few quarters, FRC tends to toggle back and forth between preferred and common equity issuance, will use \$200M from the most recent preferred issuance to retire the Series E (7.0%) at the end of Dec. Mgmt. noted the preferred stock dividend should increase by ~\$9M in 2H18 due to the recent issuance.

Economic backdrop. 7/13: Conditions are strong in FRC's coastal urban markets, and clients are active. Client demand has so far not been impacted by the SALT cap, but likely will not see that impact until next year when clients have to pay the incremental difference in taxes.



Figure 1: First Republic Bank (FRC) - Income Statement, Dollars in Thousands

	FY16	2Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY19
	Act.	6/30/17 Act.	Act.	3/31/18 Act.	6/30/18 Act.	9/30/18 Est.	12/31/18 Est.	Est.	Est.
Reported Net Interest Income	\$1,817,162	\$531,964	\$2,151,463	\$587,758	\$611,693	\$631,822	\$653,776	\$2,485,049	\$2,832,643
Non-Core Net Interest Income	5,900	0	0	0	0	0	0	0	0
Core Net Interest Income	1,811,262	531,964	2,151,463	587,758	611,693	631,822	653,776	2,485,049	2,832,643
Q/Q %	20.1%	6.5%	18.8%	3.3%	4.1%	3.3%	3.5%	15.5%	14.0%
Provision Expense	47,192	23,938	60,181	13,000	19,370	16,132	20,328	68,830	83,634
Reported Non-Interest Income	394,812	109,372	460,461	133,102	132,421	138,391	152,729	556,643	638,214
Non-Core Non-Interest Income	1,055	-602	4,831	10,700	-1,027	0	0	9,673	0
Core Non-Interest Income	393,757	109,974	455,630	122,402	133,448	138,391	152,729	546,970	638,214
Q/Q %	21.4%	6.9%	15.7%	-6.1%	9.0%	3.7%	10.4%	20.0%	16.7%
Investment Advisory Fees	224,626	68,819	282,868	78,117	82,925	88,371	100,942	350,355	427,671
Brokerage and Investment Fees	31,868	6,965	32,221	10,532	8,826	9,003	9,183	37,543	38,604
Trust Fees	12,365	3,448	13,658	3,489	3,606	3,713	3,843	14,650	16,596
Foreign Exchange Fee Income	22,406	7,081	27,691	7,397	9,547	9,929	11,418	38,291	42,723
Deposit Customer Fees	20,699	5,655	22,633	5,985	6,280	6,275	6,135	24,675	24,553
Loan Servicing Fees, Net	13,465	3,577	13,800	3,519	3,186	3,223	3,249	13,177	13,316
Loan and Related Fees	14,097	3,375	13,012	3,617	4,134	4,258	4,215	16,224	17,981
Income from Inv. In Life Insurance	48,119	9,538	37,874	9,477	9,612	9,708	9,805	38,602	40,211
Gains on Sale of Loans	4,828	841	9,233	689	4,045	2,600	2,600	9,934	10,930
Securities Gains/(Losses)	1,055	-602	-833	9,197	-1,027	0	0	8,170	0
Other Income	1,284	675	8,304	1,083	1,287	1,313	1,339	5,022	5,629
Total Revenue	2,211,974	641,336	2,611,924	720,860	744,114	770,213	806,505	3,041,692	3,470,857
Non-Core Revenue	6,955	-602	4,831	10,700	-1,027	0	0	9,673	0
Core Revenue	2,205,019	641,938	2,607,093	710,160	745,141	770,213	806,505	3,032,019	3,470,857
Q/Q %	20.4%	6.5%	18.2%	1.6%	4.9%	3.4%	4.7%	16.3%	14.5%
Reported Non-Interest Expense	1,337,186	397,100	1,639,541	461,581	472,557	489,393	508,077	1,931,608	2,208,643
Non-Core Non-Interest Expense	0	0	0	0	0	0	0	0	0
Core Non-Interest Expense	1,337,186	397,100	1,639,541	461,581	472,557	489,393	508,077	1,931,608	2,208,643
Q/Q %	22.0%	4.9%	22.6%	3.6%	2.4%	3.6%	3.8%	17.8%	14.3%
Salaries and Related Benefits	763,625	221,929	930,908	277,024	271,935	286,891	296,933	1,132,783	1,326,532
Occupancy	119,139	33,631	136,746	36,172	37,216	38,332	39,099	150,820	164,374
Information Systems	153,207	51,053	208,625	58,964	59,530	61,316	63,155	242,965	285,818
Advertising and Marketing	32,783	11,560	48,398	11,928	15,120	14,818	16,299	58,165	67,542
Professional Fees	52,740	12,236	56,950	13,414	15,588	15,744	17,161	61,907	74,397
FDIC and Other Deposit Assessments	44,200	13,601	55,792	15,532	16,064	15,188	16,220	63,004	35,456
Amortization Expense	25,002	5,293	20,625	4,472	4,472	4,472	4,472	16,248	11,872
Other Expense	146,490	47,797	181,497	44,075	52,632	52,632	54,737	204,076	242,651
Pre-Tax Pre-Provision (PTPP)	874,788	244,236	972,383	259,279	271,557	280,820	298,428	1,110,084	1,262,215
Total Net Non-Core Revenue/(Expense)	6,955	-602	4,831	10,700	-1,027	0	0	9,673	0
Core PTPP	867,833	244,838	967,552	248,579	272,584	280,820	298,428	1,100,411	1,262,215
Q/Q %	17.9%	9.3%	11.5%	-2.0%	9.7%	3.0%	6.3%	13.7%	14.7%
Income/(Loss) Before Income Taxes	827,596	220,298	912,202	246,279	252,187	264,688	278,100	1,041,254	1,178,580
Reported Income Tax Expense	154,168	33,698	154,542	47,196	42,406	50,908	53,792	194,302	223,395
Core Income Tax Expense	154,168	33,698	114,842	47,196	42,406	50,908	53,792	194,302	223,395
Effective Tax Rate	18.6%	15.3%	16.9%	19.2%	16.8%	19.2%	19.3%	18.7%	19.0%
Preferred Dividends	68,589	14,344	58,040	12,222	12,163	17,113	16,249	57,746	51,150
Net Income Available to Common	604,839	172,256	699,620	186,861	197,618	196,668	208,060	789,207	904,036
Core Net Income Available to Common	600,840	172,602	736,542	179,532	198,321	196,668	208,060	782,581	904,036
Avg. Diluted Shares Outstanding	154,095	162,335	162,340	164,839	165,013	165,479	165,708	165,260	168,877
Diluted EPS	\$3.92	\$1.06	\$4.31	\$1.13	\$1.20	\$1.19	\$1.26	\$4.78	\$5.35
Core EPS	\$3.90	\$1.06	\$4.53	\$1.09	\$1.20	\$1.19	\$1.26	\$4.74	\$5.35
Q/Q %	24.1%	5.0%	16.3%	-18.6%	10.3%	-1.1%	5.6%	4.4%	13.0%
Core EPS - No Additional Rate Hikes	\$3.90	\$1.06	\$4.53	\$1.09	\$1.20	\$1.17	\$1.24	\$4.70	\$5.22
Q/Q %	24.1%	5.0%	16.3%	-18.6%	10.3%	-2.7%	5.7%	3.6%	11.1%

Source: Deutsche Bank Research, Company Reports/Conference Calls



Figure 2: First Republic Bank (FRC) - Key Performance Indicators, Dollars in Millions (Unless Otherwise Noted)

	FY16	2Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY19
	Act.	6/30/17 Act.	Act.	3/31/18 Act.	6/30/18 Act.	9/30/18 Est.	12/31/18 Est.	Est.	Est.
Capital									
TBV/Share	\$35.35	\$37.83	\$40.43	\$41.46	\$42.15	\$43.14	\$44.24	\$44.24	\$49.91
TBV/Share Q/Q %	17.2%	1.8%	14.4%	2.5%	1.7%	2.4%	2.5%	9.4%	12.8%
TBV/Share Y/Y %	17.2%	16.3%	14.4%	11.6%	11.4%	10.9%	9.4%	9.4%	12.8%
TCE Ratio	7.5%	7.4%	7.5%	7.5%	7.3%	7.2%	7.2%	7.2%	7.2%
Common Equity Tier 1 Ratio	10.8%	10.7%	10.6%	10.5%	10.2%	10.1%	10.0%	10.0%	10.1%
Tier 1 Leverage Ratio	9.4%	9.0%	8.9%	8.6%	8.8%	8.5%	8.4%	8.4%	8.1%
Tier 1 Capital Ratio	13.1%	12.5%	12.2%	11.8%	11.9%	11.7%	11.6%	11.6%	11.3%
Total Capital Ratio	14.5%	14.5%	14.1%	13.7%	13.7%	13.5%	13.3%	13.3%	12.9%
Dividends Per Share	\$0.64	\$0.17	\$0.67	\$0.17	\$0.18	\$0.18	\$0.18	\$0.71	\$0.80
Dividend Payout Ratio (On Core EPS)	16.4%	16.0%	14.8%	15.6%	15.0%	15.1%	14.3%	15.0%	15.0%
Profitability									
Core ROTCE	12.57%	11.77%	12.40%	10.88%	11.73%	11.51%	11.86%	11.56%	11.61%
Core ROCE	11.56%	11.00%	11.62%	10.26%	11.09%	10.90%	11.26%	10.95%	11.13%
Core ROE	10.62%	10.32%	10.81%	9.78%	10.46%	10.23%	10.51%	10.25%	10.49%
Core ROTA	1.05%	0.98%	1.02%	0.90%	0.95%	0.91%	0.92%	0.92%	0.89%
Core ROA	1.02%	0.96%	1.00%	0.88%	0.94%	0.89%	0.90%	0.90%	0.88%
Core PTPP/Avg. Tang. Assets	1.36%	1.29%	1.24%	1.17%	1.23%	1.19%	1.22%	1.20%	1.18%
Core PTPP/Avg. Loans HFI	1.81%	1.76%	1.69%	1.55%	1.61%	1.59%	1.62%	1.59%	1.55%
Core Efficiency Ratio	59.5%	61.0%	62.1%	64.4%	62.8%	63.0%	62.4%	63.2%	63.3%
Core G&A/Avg. Tang. Asset Ratio	2.01%	2.02%	2.05%	2.11%	2.09%	2.03%	2.04%	2.07%	2.04%
Net Interest Margin									
Core NIM	3.17%	3.16%	3.11%	2.97%	2.95%	2.92%	2.89%	2.91%	2.86%
Reported NIM	3.20%	3.16%	3.13%	2.97%	2.95%	2.92%	2.89%	2.91%	2.86%
Core Loan Yield	3.31%	3.39%	3.41%	3.42%	3.51%	3.62%	3.66%	3.58%	3.83%
Cost of Deposits	0.14%	0.18%	0.22%	0.30%	0.36%	0.46%	0.53%	0.42%	0.69%
Cost of Time Deposits	1.18%	1.24%	1.27%	1.42%	1.60%	1.78%	1.95%	1.73%	2.23%
Credit									
NPA+90DD/Loans+OREO	0.09%	0.08%	0.06%	0.08%	0.07%	0.08%	0.08%	0.08%	0.10%
NPA+90DD \$	49,020	45,314	37,656	48,895	50,920	60,032	62,674	62,674	90,851
NPA+90DD Q/Q %	-36.95%	-12.34%	-23.18%	29.85%	4.14%	17.90%	4.40%	66.44%	44.96%
NCOs/Avg. Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NCOs Q/Q %	7.5%	19.9%	-65.1%	-113.7%	400.6%	-59.3%	106.9%	191.7%	65.2%
Reserve/Loans HFI	0.59%	0.59%	0.58%	0.58%	0.57%	0.58%	0.58%	0.58%	0.59%
Reserve Release/(Build) EPS Impact	\$1.17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Provision/NCOs	25.5x	39.3x	93.0x	84.4x	25.1x	51.4x	31.3x	36.5x	26.8x
Provision/Avg. Loans	0.10%	0.17%	0.11%	0.08%	0.11%	0.09%	0.11%	0.10%	0.10%
Reserve/NPA+90DD	625%	747%	972%	775%	780%	688%	691%	691%	565%
Balance Sheet Growth									
Loans HFI Q/Q % - Organic	18.0%	7.1%	20.8%	3.7%	6.1%	3.8%	4.4%	19.2%	17.0%
Loans HFS Q/Q %	736.5%	13.5%	-78.5%	682.7%	-93.2%	950.0%	-20.0%	347.8%	-22.4%
Total Loans Q/Q %	18.8%	7.1%	20.1%	4.7%	5.0%	4.4%	4.2%	19.7%	16.8%
Avg. Total Loans Q/Q %	17.1%	5.0%	19.5%	4.7%	5.5%	0.0%	0.0%	0.0%	0.0%
Deposits Q/Q % - Organic	22.4%	3.4%	17.6%	3.4%	2.1%	4.2%	4.3%	14.7%	15.9%
Core Deposits Q/Q % - Organic	23.5%	2.9%	15.3%	0.9%	0.5%	2.6%	3.2%	7.4%	9.2%
DDA Q/Q % - Organic	24.6%	9.1%	15.9%	4.3%	3.4%	1.5%	2.0%	11.7%	10.9%
Avg. Total Deposits Q/Q %	22.7%	1.9%	17.3%	2.7%	2.6%	7.7%	4.2%	0.0%	0.0%
Balance Sheet (Dollars in Millions)									
Assets	\$73,278	\$80,978	\$87,781	\$90,224	\$93,851	\$97,486	\$100,932	\$100,932	\$115,997
Intangible Assets	316	305	290	286	282	277	273	273	261
Earning Assets	69,841	77,409	84,083	86,507	89,902	93,461	96,842	96,842	111,671
Interest-Earning Cash	2,108	2,295	2,297	3,840	3,993	3,794	3,414	3,414	3,073
Securities	15,318	17,152	18,858	16,788	16,715	17,402	18,102	18,102	20,638
Total Loans	52,416	57,962	62,928	65,878	69,194	72,265	75,325	75,325	87,961
Loans - HFI	52,008	57,760	62,840	65,192	69,147	71,774	74,933	74,933	87,656
Loans - HFS	407	202	88	686	47	491	393	393	305
Non-Int. Earning Assets	3,121	3,264	3,407	3,431	3,668	3,748	3,818	3,818	4,065
Liabilities	66,369	73,718	79,962	82,387	85,575	89,044	92,307	92,307	106,459
Deposits	58,602	63,294	68,919	71,255	72,772	75,814	79,062	79,062	91,622
Core Deposits	53,489	57,264	61,684	62,260	62,573	64,188	66,273	66,273	72,384
Time Deposits	5,113	6,030	7,235	8,995	10,199	11,626	12,789	12,789	19,238
Borrowings	6,811	9,393	10,072	10,172	11,923	12,310	12,287	12,287	13,718
Other Liabilities	956	1,031	972	960	881	920	959	959	1,120
Equity	6,909	7,260	7,818	7,837	8,276	8,442	8,625	8,625	9,538
TCE	5,454	5,965	6,538	6,711	6,854	7,025	7,212	7,212	8,337

Source: Deutsche Bank Research, Company Reports/Conference Calls



Figure 3: First Republic Bank (FRC) - EPS Variance, Dollars in Thousands

	Actuals		DB Estimates (Gray)				Cons. Ests.			% Change	
	2Q17	1Q18	2Q18	2Q18 E	Actual	Diff vs.	2Q18	Source	# of Ests.	Q/Q	Y/Y
	6/30/17	3/31/18	6/30/18	6/30/18 E	DB Est.	DB Est.	6/30/18				
	Act.	Act.	Act.	DB Est.		Impact	Cons. Est.				
Diluted EPS*	\$1.06	\$1.13	\$1.20	\$1.17	\$0.03	\$0.030	\$1.17	F	22	\$0.07	\$0.14
Core EPS	\$1.06	\$1.09	\$1.20	\$1.17	\$0.03	\$0.030				\$0.11	\$0.14
Reported Net Interest Income	531,964	587,758	611,693	602,034	9,659	\$0.040	613,410	S	12	4.1%	15.0%
Non-Core Net Interest Income	0	0	0	0	0	\$0.000					
Core Net Interest Income	531,964	587,758	611,693	602,034	9,659	\$0.040				4.1%	15.0%
Q/Q %	6.5%	3.3%	4.1%	2.4%							
Reported NIM	3.16%	2.97%	2.95%	2.94%	0.01%	\$0.005	2.92%	B	14	-0.02%	-0.21%
Avg. Earning Assets	73,818	82,671	85,821	85,626	196	\$0.006	86,349	F	10	3.8%	16.3%
Provision Expense	23,938	13,000	19,370	16,306	3,064	-\$0.013	15,269	B	15	49.0%	-19.1%
NPA/Assets	0.06%	0.05%	0.05%	0.00%			NA			0.00%	0.00%
NCOs/Avg. Loans	0.00%	0.00%	0.00%	0.00%			0.01%	S	11	0.00%	0.00%
Reserve/Loans HFI	0.59%	0.58%	0.57%	0.58%	0.00%	\$0.000				-0.01%	-0.01%
Reported Non-Interest Income	109,372	133,102	132,421	130,221	2,200	\$0.009	129,541	F	16	-0.5%	21.1%
Non-Core Non-Interest Income	-602	10,700	-1,027	0	-1,027	-\$0.004					
Core Non-Interest Income	109,974	122,402	133,448	130,221	3,227	\$0.013				9.0%	21.3%
Q/Q %	6.9%	-6.1%	9.0%	6.4%							
Non-Interest Inc. (Select Items)											
Investment Advisory Fees	68,819	78,117	82,925	81,662	1,263	\$0.005				6.2%	20.5%
Brokerage and Investment Fees	6,965	10,532	8,826	10,005	-1,179	-\$0.005				-16.2%	26.7%
Trust Fees	3,448	3,489	3,606	3,607	-1	\$0.000				3.4%	4.6%
Foreign Exchange Fee Income	7,081	7,397	9,547	7,767	1,780	\$0.007				29.1%	34.8%
Deposit Customer Fees	5,655	5,985	6,280	6,279	1	\$0.000				4.9%	11.1%
Loan Servicing Fees, Net	3,577	3,519	3,186	3,511	-325	-\$0.001				-9.5%	-10.9%
Loan and Related Fees	3,375	3,617	4,134	3,726	408	\$0.002				14.3%	22.5%
Income from Inv. In Life Insurance	9,538	9,477	9,612	9,572	40	\$0.000				1.4%	0.8%
Gains on Sale of Loans	841	689	4,045	2,988	1,057	\$0.004					
Securities Gains/(Losses)	-602	9,197	-1,027	0	-1,027	-\$0.004					
Other Income	675	1,083	1,287	1,105	182	\$0.001				18.8%	90.7%
Total Revenue	641,336	720,860	744,114	732,255	11,859	\$0.049	742,205	S	10	3.2%	16.0%
Non-Core Revenue	-602	10,700	-1,027	0	-1,027	-\$0.004					
Core Revenue	641,938	710,160	745,141	732,255	12,886	\$0.054				4.9%	16.1%
Q/Q %	6.5%	1.6%	4.9%	3.1%							
Reported Non-Interest Expense	397,100	461,581	472,557	464,410	8,147	-\$0.034	464,727	F	16	2.4%	19.0%
Non-Core Non-Interest Expense	0	0	0	0	0	\$0.000					
Core Non-Interest Expense	397,100	461,581	472,557	464,410	8,147	-\$0.034				2.4%	19.0%
Q/Q %	4.9%	3.6%	2.4%	0.6%							
Core Efficiency Ratio	61.0%	64.4%	62.8%	62.8%			#N/A	###	###	-1.5%	1.8%
Non-Interest Exp. (Select Items)											
Salaries and Related Benefits	221,929	277,024	271,935	277,024	-5,089	\$0.021				-1.8%	22.5%
Occupancy	33,631	36,172	37,216	36,895	321	-\$0.001				2.9%	10.7%
Information Systems	51,053	58,964	59,530	60,143	-613	\$0.003				1.0%	16.6%
Advertising and Marketing	11,560	11,928	15,120	13,121	1,999	-\$0.008				26.8%	30.8%
Professional Fees	12,236	13,414	15,588	13,682	1,906	-\$0.008				16.2%	27.4%
FDIC and Other Deposit Assessments	13,601	15,532	16,064	14,557	1,507	-\$0.006				3.4%	18.1%
Amortization Expense	5,293	4,472	4,472	4,472	0	\$0.000				0.0%	-15.5%
Other Expense	47,797	44,075	52,632	44,516	8,116	-\$0.034				19.4%	10.1%
Pre-Tax Pre-Provision (PTPP)	244,236	259,279	271,557	267,845	3,712	\$0.015				4.7%	11.2%
Total Net Non-Core Revenue/(Expense)	-602	10,700	-1,027	0	-1,027	\$0.004					
Core PTPP	244,838	248,579	272,584	267,845	4,739	-\$0.020				9.7%	11.3%
Q/Q %	9.3%	-2.0%	9.7%	7.8%							
Income/(Loss) Before Income Taxes	220,298	246,279	252,187	251,539	648	\$0.003	251,254	F	12	2.4%	14.5%
Reported Income Tax Expense	33,698	47,196	42,406	47,075			47,045	F	12		
Non-Core Income Tax Expense	0	0	0	0	0	\$0.000					
Core Income Tax Expense	33,698	47,196	42,406	47,075							
Core Effective Tax Rate	15.3%	19.2%	16.8%	18.7%	-1.90%	\$0.029	19.7%	S	8		
Preferred Dividends	14,344	12,222	12,163	12,163	1	\$0.000				-0.5%	-15.2%
Net Income Available to Common	172,256	186,861	197,618	192,302	5,316	\$0.032	193,623	F	17	5.8%	14.7%
Core Net Income Avail. to Common	172,602	179,532	198,321	192,302	6,020	\$0.036				10.5%	14.9%
Avg. Diluted Shares Outstanding	162,335	164,839	165,013	164,981	32	\$0.036	164,954	S	10	174	2678

Source: Deutsche Bank, Company Reports/Conference Calls, Consensus Ests: S=S&P Global, F=FactSet, B=Bloomberg. # of est. reflects the source with the highest # of ests. for 2Q18.



Appendix 1

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*Other information available upon request

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Company	Ticker	Recent price*	Disclosure
First Republic Bank	FRC.N	97.74 (USD) 13 Jul 18	2,14,15

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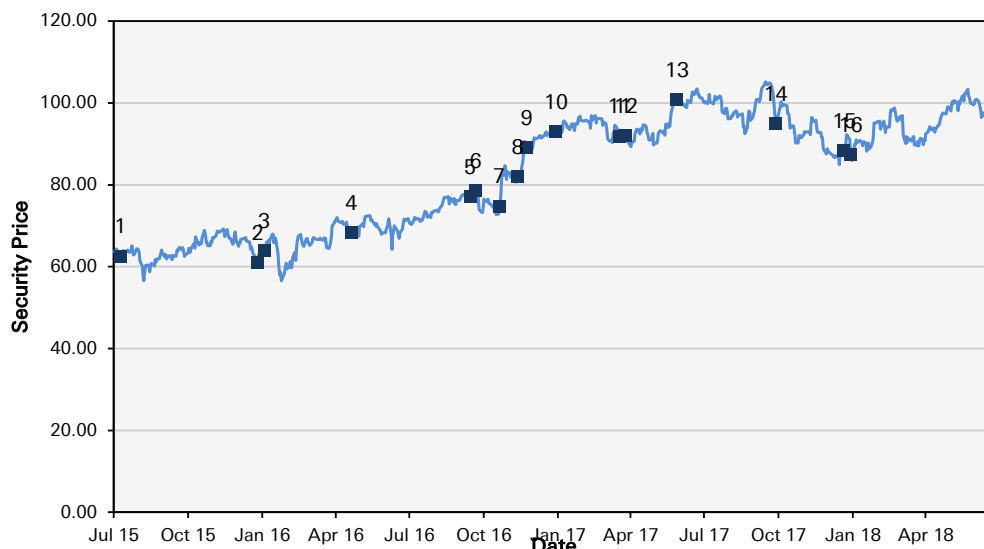
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Historical recommendations and target price: First Republic Bank (FRC.N) (as of 7/13/2018)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

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3. 01/22/2016:	Hold, Target Price Change USD69.00 Swati Mittal**	11. 04/06/2017:	Hold, Target Price Change USD101.00 Dave Rochester
4. 05/09/2016:	Hold, Target Price Change USD73.00 Dave Rochester	12. 04/14/2017:	Hold, Target Price Change USD98.00 Dave Rochester
5. 10/03/2016:	Hold, Target Price Change USD83.00 Meng Jiao	13. 06/16/2017:	Hold, Target Price Change USD104.00 Dave Rochester
6. 10/10/2016:	Hold, Target Price Change USD85.00 Dave Rochester	14. 10/16/2017:	Hold, Target Price Change USD101.00 Dave Rochester
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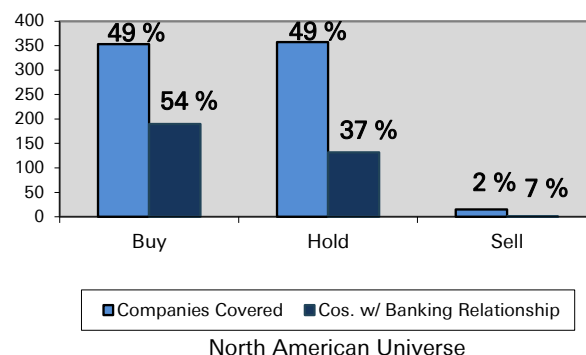
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