



FIRST REPUBLIC BANK  
It's a privilege to serve you®

# **First Republic Bank**

Annual Company-Run Stress Test Results

Dodd-Frank Act Stress Test Disclosure

Supervisory Severely Adverse Scenario

---

*June 15, 2015*



FIRST REPUBLIC BANK  
It's a privilege to serve you®

***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario***

**June 15, 2015**

**About First Republic Bank**

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. 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 is an FDIC-insured state bank without a bank holding company. We are examined, supervised and regulated by the FDIC and the California Department of Business Oversight’s Division of Financial Institutions.

**Overview**

In accordance with Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and pursuant to the requirements of 12 CFR Section 325.207, the Bank is required to conduct an annual company-run stress test (“Dodd-Frank Act Stress Test” or “DFAST”) and disclose the results of the severely adverse scenario of the DFAST annually, which are contained herein. Any differences in the presentation of information contained herein relative to how such information is presented for other purposes is solely due to First Republic’s efforts to comply with the DFAST requirements. The information contained herein does not, in any way, reflect changes to the business plans, practices, or strategy of the Bank. The projections contained herein are based on the severely adverse scenario provided by the FDIC (“Supervisory Severely Adverse Scenario”), in coordination with the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, which was released on October 23, 2014. Accordingly, these projections represent hypothetical estimates that involve an economic outcome more adverse than expected, and are not the Bank’s actual projections of expected pre-provision net revenue, losses, net income before taxes or capital ratios.

The DFAST does not require the use of specified capital action assumptions for banks such as First Republic. This assumption differs considerably from the DFAST rules for a bank holding company, which require specified capital actions. As a result, the capital actions reflected in the Bank’s pro forma capital ratios reflect management’s judgment of actions that would occur over the nine-quarter planning horizon.

The results of First Republic’s annual DFAST indicate that the Bank would have the financial resources to successfully navigate a severe economic downturn, coupled with a non-macroeconomic operational loss event, and a one-time credit loss event, while also continuing to grow both total assets and risk-weighted assets, and maintaining capital levels that significantly exceed regulatory well-capitalized levels throughout the course of the hypothetical severely adverse scenario.

**Risks Included in the Dodd-Frank Act Stress Test**

First Republic assessed various types of risks in its stress testing activities. As part of its ongoing capital adequacy program, First Republic uses a comprehensive risk identification process to help ensure that capital adequacy is based upon the Bank’s material risks, its associated risk profile, and the business operating environment. The following risks are directly stressed by the related macroeconomic scenario:



***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)***

*Credit Risk*

Credit risk arises when the Bank extends, commits to, invests in, or is otherwise exposed to repayment risk through direct or indirect obligations. Credit-related products that create this risk include, but are not limited to, real estate secured loans, business or consumer loans, counterparty risk and investment securities.

Credit losses may be attributed to factors such as a borrower's deteriorating financial condition, inadequate collateral, underwriting or portfolio management deficiencies, economic cycles, or other unexpected events that have a negative impact on a borrower's repayment abilities.

*Interest Rate/Market Risk*

Interest rate risk refers to adverse changes in income caused by the change in value of the organization's assets and liabilities in response to fluctuations in the interest rate environment. Interest rates affect the pricing and mix of interest-earning assets and interest-bearing liabilities, which are impacted by external factors such as the local economy, competition for loans and deposits, federal monetary policy and market interest rates. Additionally, changes in interest rates have the potential to impact loan refinancing activity, the slope of the yield curve and borrower repayments for adjustable-rate products.

*Liquidity Risk*

Liquidity risk is the risk that a bank's financial condition or safety is adversely affected by an inability to meet its funding obligations. Specific liquidity risk may arise from funding mismatches and market constraints on converting assets into cash or accessing sources of funds during periods of market or idiosyncratic stress.

*Operational Risk*

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events that negatively impact internal processes, people and/or systems. These losses may be caused by events such as fraud, breaches of customer privacy, business disruptions, inappropriate employee behavior, vendors that do not perform their responsibilities and regulatory fines and penalties. With respect to the Bank, operational risk also considers certain events that are not driven directly by the economy, such as natural disasters (i.e. earthquake). To ensure a reasonably conservative projection, we have reduced our forecast of pre-provision net revenue to include non-macroeconomic driven events that could conceivably occur.

*Strategic Risk*

In the context of DFAST, we view pre-provision net revenue ("PPNR") as a key component of strategic risk. This is because PPNR encompasses the entirety of our earning capacity. Strategic risk is defined as exposure to loss resulting from a strategy that turns out to be ineffective due to adverse conditions, improper implementation of decisions, or lack of responses to changing conditions.

*Model Risk*

A model is a quantitative method, system, or approach that applies statistical, economic, financial or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Model risk occurs for primarily two reasons: (1) a model may have fundamental errors and may produce inaccurate outputs, and (2) a model may be used inappropriately.



***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)***

*Legal/Regulatory/Compliance Risk*

Legal risk arises from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations or conditions of the Bank. Failure to comply with laws and regulations can result in fines, penalties, lawsuits or examination findings that are generally costly, prohibit our ability to take advantage of growth opportunities or damage our reputation.

Additionally, legal risk arises as part of a broader concept of regulatory compliance. Risk of noncompliance with applicable laws can negatively affect a bank's operations, conditions or reputation. Compliance and regulatory failures not only give rise to client claims but also the risk of regulatory investigations or supervisory actions resulting in costly fines or operation restrictions.

**Methodologies and Processes Used in the Dodd-Frank Act Stress Test**

First Republic uses models, methods and processes that have been used in planning and managing various parts of the business to generate stress test results. The Bank uses the supervisory interest rate and economic growth scenarios to project balance sheet volumes, asset mix, earning asset yields, and funding rates in order to project net interest income. The modeling team uses quantitative models and qualitative judgment to estimate the impact of the economic scenarios on credit losses and required provision levels at the product level.

Such models and estimation techniques are used to translate the economic and financial variables in the Supervisory Severely Adverse Scenario to project the Bank's balance sheet, risk-weighted assets, loss estimation, net interest income and expenses, non-interest income and expenses, and capital ratios. General descriptions of the methodologies used in the company-run stress test under the Supervisory Severely Adverse Scenario are described below.

As measures to ensure objectivity and accuracy, the Bank has set forth a significant review and challenge framework that spans various business units and levels of subject matter experts, including the Board of Directors, internal audit, independent model validation, and program self-assessments. The Bank's review and challenge framework ensures models, model outputs and risk assessments are created with input from the correct set of Bank leaders. In meetings with the business leaders, senior management with expert knowledge of the subject at hand review and challenge key aspects of the model or risk framework. After review by the business leaders, models and risks are presented to the Capital Stress Test Executive Steering Committee, composed of members of the Bank's senior management team. The results are ultimately reviewed and approved by the Board of Directors before submission to the regulatory agencies.

***Macro Scenario Variables***

*First Republic's Markets*

The Bank operates in urban coastal markets, which include the San Francisco Bay Area, New York City, Los Angeles, Boston, Portland, San Diego and Palm Beach. About 80% of the Bank's loan balances come from San Francisco/Silicon Valley, New York City and Los Angeles. As a result, the Bank does not rely solely upon national level data to estimate accurate income and loss estimates. The Bank instead partners with an outside firm to translate national level supervisory data into regional economic projections.

The external vendor's regional forecasting models produce forecasts of state and metropolitan area measures of general economic activity, including state and metro area real output, employment by industry, and housing construction, among other variables. The models utilize a set of structural econometric models that use the FDIC-prescribed scenarios. The Bank utilizes certain regional data from the outside vendor to assist with the Bank's models that project credit losses.



***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)***

***Additional Interest Rates***

For yield curve projections, term points that are not provided by the FDIC as part of the regulatory scenarios are projected. For mortgage rates, the Bank projects rates applicable to the Bank's loan products as supplements to the FDIC-provided 30 Year Fixed Mortgage rate.

***Balance Sheet Projections***

First Republic uses quantitative models to project its balance sheet. Quantitative models are built using industry data (which affect industry trends) and internal data (which reflect the historical growth of the Bank). First Republic applies adjustments to results where the modeled output did not incorporate considerations such as the Bank's business strategy or other factors.

The Bank projects other key drivers to ensure balance sheet results are consistent with the stress scenario being modeled. This includes items such as loan sales, prepayment activity on loans, level of securities activity and wholesale funding assumptions. The securities portfolio and wholesale funding sources are projected according to the scenario, along with the relative pricing of such instruments.

***Pre-Provision Net Revenue***

First Republic's PPNR is comprised of net interest income, non-interest income and non-interest expense.

First Republic utilizes a quantitative asset/liability management system with inputs such as loan or deposit balance and mix forecasts, yields on earning assets and costing liabilities, interest rate projections, credit spreads and prepayment speeds to project relevant cash flows and net interest income.

Non-interest income includes items such as investment advisory, trust, brokerage and investment fees, gain/loss on sale of loans, and gain/loss on investment securities. The Bank projects non-interest income based on the underlying macroeconomic variables, such as equity market assumptions, and utilizes primary and secondary drivers such as balance sheet size to project key non-interest income.

Non-interest expense includes items such as salaries and benefits expenses, occupancy costs, information services and professional services. The Bank projects non-interest expense by segmenting it into components and either uses a model or calculation using primary and secondary drivers such as macroeconomic data and projected balances to forecast these items.

***Loss Estimation***

First Republic has developed and maintains models for use in forecasting loan losses. The credit loss forecasting models use the projected portfolio balances from the balance sheet forecast and the macroeconomic scenarios contemplated by the stressed scenario as their primary inputs.

Credit risk models for estimating loan losses are segmented into the following three buckets:

1. Residential mortgages, which include 1-4 family residential mortgages, home equity lines of credit and single family construction loans;
2. Commercial real estate loans, which include commercial real estate mortgages, multifamily mortgages and multifamily/commercial real estate construction; and
3. Commercial and industrial loans, which include commercial business loans, tax-exempt loans, secured loans and unsecured loans.



***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)***

*Residential Mortgages*

In modeling credit losses associated with residential mortgages, the loss model is at the loan level and combines borrower and loan characteristics with macroeconomic variables to project monthly cash flows and losses for each individual loan in the Bank's residential real estate portfolio.

For each loan, the projected losses are calculated by projecting the probability of default, the exposure at default and the loss given default. The probability of default is driven by borrower-level characteristics (e.g., FICO score), loan-level characteristics (e.g., current loan-to-value), and various macroeconomic factors (e.g., home price index and unemployment rate). The exposure at default is driven by the funded balance, unfunded commitments, scheduled repayments and prepayments. The loss given default is driven by the geographic location of the property and projected home value.

*Commercial Real Estate Loans*

The projection of commercial real estate credit losses calculates probabilities of default and losses given default based on peer banks' performance to generate an appropriate yet conservative credit loss estimate in the Supervisory Severely Adverse Scenario.

The model estimates the portfolio level credit losses using peer bank commercial real estate/multifamily net charge-off data as well as the Bank's internal data, including the estimate of losses on loans retained by Bank of America.

*Commercial and Industrial Loans*

The loss modeling of commercial and industrial loans is at the loan level and combines loan-level characteristics with macroeconomic variables to project quarterly cash flows and losses for each individual loan in the Bank's portfolio. For each loan, the projected losses are calculated by projecting the probability of default, the exposure at default and the loss given default.

*Allowance for Loan and Lease Losses*

Allowance for loan and lease losses ("ALLL") is a reserve that is established against projected credit losses within the Bank's loan portfolio. The projected ALLL is based on losses projected by the credit loss models and the forecasted loan balances from the PPNR modeling process along with maintaining an appropriate level of unallocated reserves.

*Investment Securities*

The Bank projects investment portfolio losses based on the Bank's primary types of investments: municipal bonds, non-agency residential mortgage backed securities ("RMBS") and other investments.

Projected municipal bond losses are based on a model with two primary components: the probability of default and the loss given default. The Bank utilizes historical and industry data as part of the model. Projected non-agency RMBS investment losses are based on the credit risk model described above for residential mortgages. Projected other investment losses are based on historical pricing and a management overlay process.

***Annual Company-Run Stress Test Results  
Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)***

***Changes in Capital Position over the Planning Horizon***

Changes to the Bank's capital position and capital ratios are calculated by analyzing the impact to capital of projected earnings, changes in asset balances, and the Bank's projected capital actions.

Risk-weighted assets are projected based on the projected balance sheet accounts. The amounts are calculated in accordance with the Basel III rules, which became effective beginning January 1, 2015.

**Supervisory Severely Adverse Scenario**

The Supervisory Severely Adverse Scenario published by the FDIC is characterized by a severe recession with high unemployment, significant declines in real estate prices and a sharp drop in the equity market. The long-term Treasury yield declines below 1% and short term interest rates remain near zero over the projection horizon. The prime rate remains largely unchanged throughout the scenario.

The following table summarizes the key macroeconomic metrics from the FDIC scenario.<sup>1</sup>

<b>Key Economic Metrics from the Supervisory Severely Adverse Scenario</b>	
Real GDP - Current to Trough	-4.6%
Unemployment Rate - Peak Level	10.1%
Home Prices - Current to Trough	-25.4%
Commercial Real Estate Prices - Current to Trough	-34.6%
Dow Jones Total Stock Market Index - Current to Trough	-57.9%
10 Year Treasury Yield - Trough	0.9%
Prime Rate - Trough	3.2%

In addition to the above metrics, mortgage rates increase to 5.0% by the third quarter of 2015 before declining slightly in 2016. Mortgage spreads to Treasury yields increase almost 200 basis points by the first quarter of 2015, averaging 3.6% in 2015 and 3.1% in 2016.

To ensure a reasonably conservative projection, First Republic also included two company-specific idiosyncratic events in the Supervisory Severely Adverse Scenario related to operational risk and a significant projected one-time credit loss related to non-macroeconomic client events.

<sup>1</sup> For the full set of economic variables and scenario description, see "FDIC Releases Economic Scenarios for 2015 Stress Testing," October 23, 2014, available at: <https://www.fdic.gov/news/news/press/2014/pr14087.html>.



**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

**Summary of Results for the Dodd-Frank Act Stress Test under the Supervisory Severely Adverse Scenario**

The following tables present the quantitative results under the Supervisory Severely Adverse Scenario.

**Projected Losses, Revenue and Net Income for Q4 2014 through Q4 2016**  
**under the Supervisory Severely Adverse Scenario**

	<u>\$ in Millions</u>	<u>Percent of Average Assets <sup>(1)</sup></u>
Pre-provision net revenue <sup>(2)</sup>	\$ 978	1.8%
Other revenue <sup>(3)</sup>	-	-
Less:		
Provision for loan and lease losses	768	1.4%
Realized gains/losses on AFS and HTM securities	5	0.0%
Other losses/gains	-	-
Net income before taxes <sup>(4)</sup>	<u>206</u>	0.4%
Taxes	<u>57</u>	0.1%
Net income <sup>(4)</sup>	<u>\$ 148</u>	0.3%

<sup>(1)</sup> Average assets is the nine-quarter average of total assets.

<sup>(2)</sup> Pre-provision net revenue includes losses from operational risk events.

<sup>(3)</sup> Other revenue includes one-time income and expense items not included in pre-provision net revenue.

<sup>(4)</sup> Numbers may not sum due to rounding.

First Republic's pre-tax net income is estimated to be \$206 million over the nine-quarter horizon. The primary driver in the reduction of pre-tax net income from historical levels is the elevated level of provision for loan and lease losses. In addition, pre-provision net revenue is also projected to decline substantially from current levels. The primary drivers of lower PPNR include lower net interest income, reductions in non-interest income (principally investment advisory fees) and increased non-interest expenses (primarily due to a modeled operational loss associated with a non-macroeconomic event).





**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

**Projected Loan Losses by Type of Loans for Q4 2014 through Q4 2016**  
**under the Supervisory Severely Adverse Scenario**

	<u>\$ in Millions</u>	<u>Portfolio Loss Rates <sup>(1)</sup></u>
Loan Losses:		
First lien mortgages <sup>(2)</sup>	\$ 65	0.3%
Junior liens and HELOCs	43	1.8%
Commercial and industrial <sup>(3)</sup>	234	8.8%
Commercial real estate <sup>(4)</sup>	199	2.3%
Credit card	-	-
Other consumer	21	3.5%
Other <sup>(5)</sup>	35	1.3%
Total <sup>(6)</sup>	<u>\$ 596</u>	1.5%

<sup>(1)</sup> Average balances used to calculate portfolio loss rates exclude loans held for sale, and are calculated over nine quarters.

<sup>(2)</sup> Includes single family construction.

<sup>(3)</sup> Includes a significant projected one-time credit loss related to non-macroeconomic client events.

<sup>(4)</sup> Includes multifamily, multifamily construction and commercial real estate construction.

<sup>(5)</sup> Includes tax-exempt loans to independent schools and non-profit organizations, and loans for investment purposes.

<sup>(6)</sup> Numbers may not sum due to rounding.

Loan losses during the nine-quarter Supervisory Severely Adverse Scenario are estimated to be \$596 million. This represents a significant increase from the levels of losses that the Bank is currently experiencing, driven primarily by multifamily and commercial real estate loans and commercial and industrial loans. Commercial real estate and multifamily losses are projected to increase due to the overall decline in business activity and lower real estate values associated with the economic downturn. Commercial and industrial loan losses are projected to increase due to the overall decline in business activity associated with the economic downturn, along with a significant projected one-time credit loss related to non-macroeconomic client events that accounts for more than half of the commercial and industrial projected losses.



**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

**Actual Q3 2014 and Projected Q4 2016 Risk-Weighted Assets  
under the Supervisory Severely Adverse Scenario**

<b>\$ in Millions</b>	<b>Actual Q3 2014</b>	<b>Projected Q4 2016</b>
		<b>Basel III Standardized Approach</b>
Risk-weighted assets <sup>(1)</sup>	\$ 32,276	\$ 37,855

<sup>(1)</sup> For the third and fourth quarter of 2014, risk-weighted assets are calculated using the general risk-based capital approach for risk-weighted assets. For each quarter in 2015 and 2016, risk-weighted assets are calculated under the Basel III standardized approach.

The Bank projects that risk-weighted assets will grow 17% over the nine-quarter horizon under the Supervisory Severely Adverse Scenario. The growth in risk-weighted assets is driven primarily by loan growth. The growth in risk-weighted assets is one of the primary impacts that results in the Bank's declining capital ratios over the nine-quarter stress horizon.

**Actual and Projected Capital Ratios through Q4 2016  
under the Supervisory Severely Adverse Scenario**

	<b>Actual Q3 2014</b>	<b>Stressed Capital Ratios <sup>(1)</sup></b>	
		<b>Q4 2016</b>	<b>Minimum over Projection Horizon</b>
Common Equity Tier 1 ratio <sup>(2)</sup>	n/a	9.9%	9.9%
Tier 1 risk-based capital ratio	13.8%	12.5%	12.5%
Total risk-based capital ratio	14.5%	14.0%	14.0%
Tier 1 leverage ratio	9.5%	8.4%	8.4%

<sup>(1)</sup> Beginning January 1, 2015, these ratios reflect the adoption of the Basel III capital rules. The capital ratios are calculated reflecting management's judgment of capital actions that would occur over the nine-quarter planning horizon. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period Q4 2014 to Q4 2016.

<sup>(2)</sup> The Bank was not subject to the Common Equity Tier 1 ratio for the third and fourth quarter of 2014. This requirement became effective for the Bank in 2015, and was calculated for each quarter in 2015 and 2016 under the Basel III capital rules.



**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

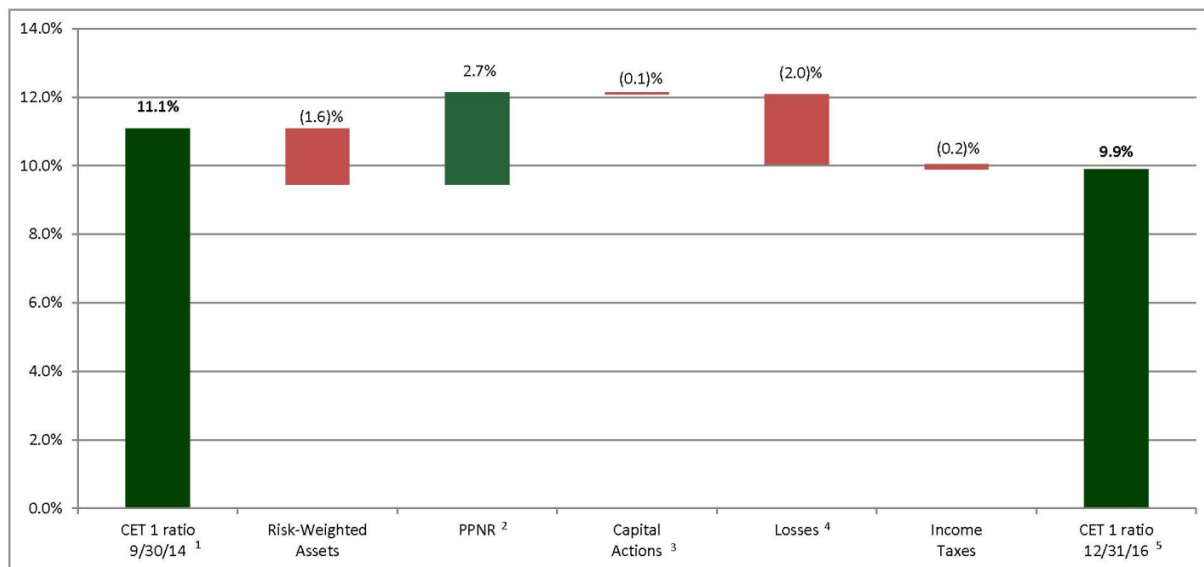
**Explanation of the Most Significant Causes for the Changes in Regulatory Capital Ratios**

Throughout the nine-quarter horizon of the Supervisory Severely Adverse scenario, all of the Bank’s key capital ratios are projected to significantly exceed levels to be considered well-capitalized. In addition, the Bank’s Tier 1 leverage ratio remains above 8% during the nine-quarter horizon, which is a condition of being a de novo institution for the Bank through our first seven years until June 30, 2017.

Capital ratios remain strong but decrease steadily over the nine-quarter horizon as tangible asset and risk-weighted asset growth outpaces the growth of the Bank’s capital base. The Bank’s capital grows less quickly due to increased losses and lower than usual PPNR. Each of the capital ratios reaches the minimum level at the end of the projection period as the negative economic impacts continue to affect the Bank.

The charts below show the changes in each of the capital ratios from Q3 2014 through Q4 2016.

Common Equity Tier 1 (“CET1”) Ratio



<sup>1</sup> Represents Tier 1 common equity ratio.

<sup>2</sup> Pre-provision net revenue (includes losses associated with operational risk).

<sup>3</sup> Includes management’s judgment of capital actions that include common and preferred equity offerings, and common and preferred stock dividends.

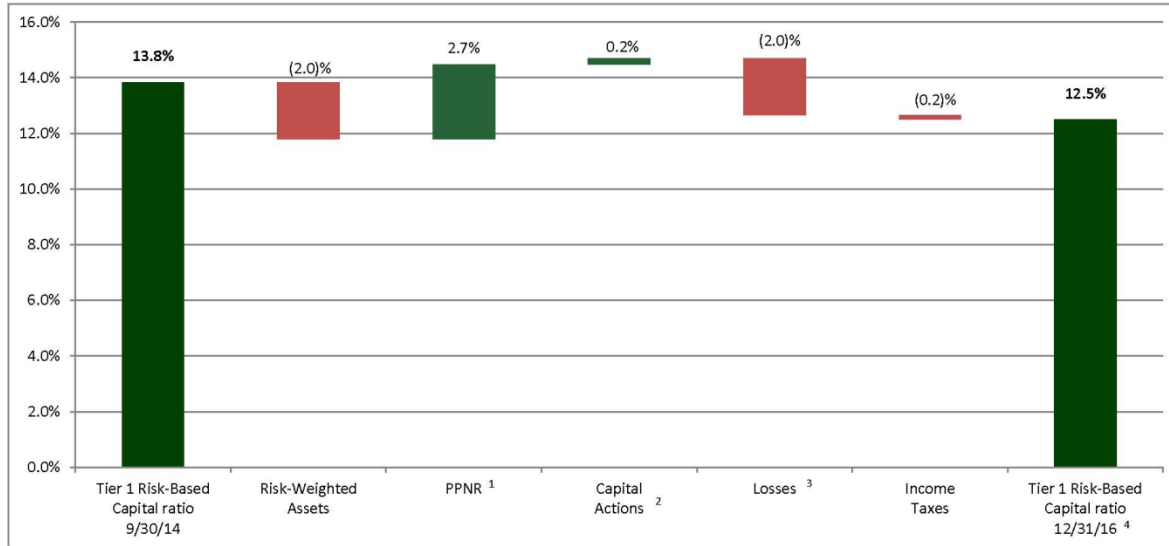
<sup>4</sup> Includes provision for loan losses and other-than-temporary impairment losses.

<sup>5</sup> Numbers may not sum due to rounding.



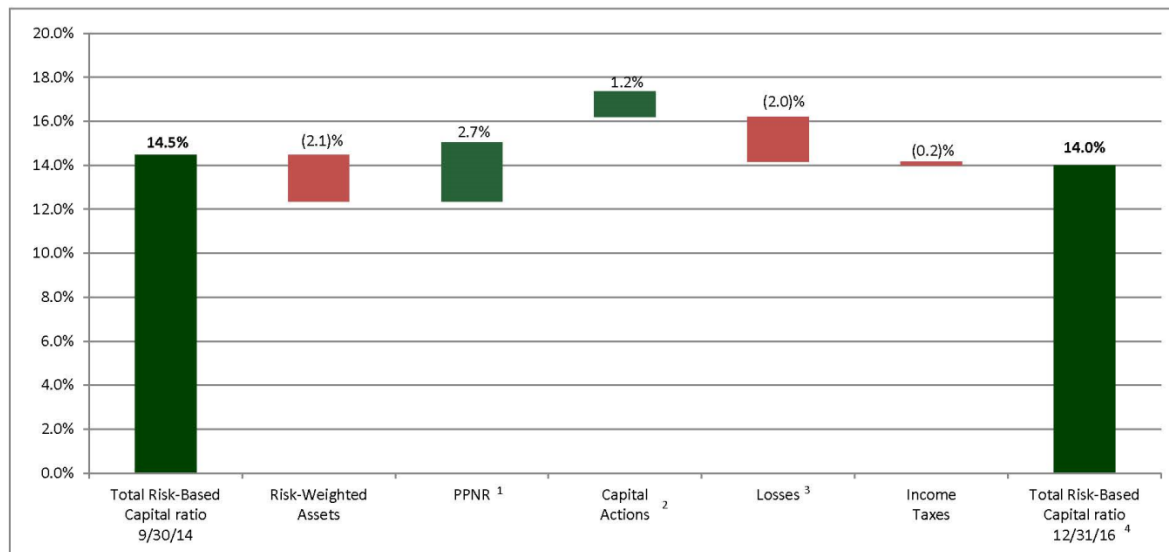
**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

Tier 1 Risk-Based Capital Ratio



- <sup>1</sup> Pre-provision net revenue (includes losses associated with operational risk).  
<sup>2</sup> Includes management's judgment of capital actions that include common and preferred equity offerings, and common and preferred stock dividends.  
<sup>3</sup> Includes provision for loan losses and other-than-temporary impairment losses.  
<sup>4</sup> Numbers may not sum due to rounding.

Total Risk-Based Capital Ratio

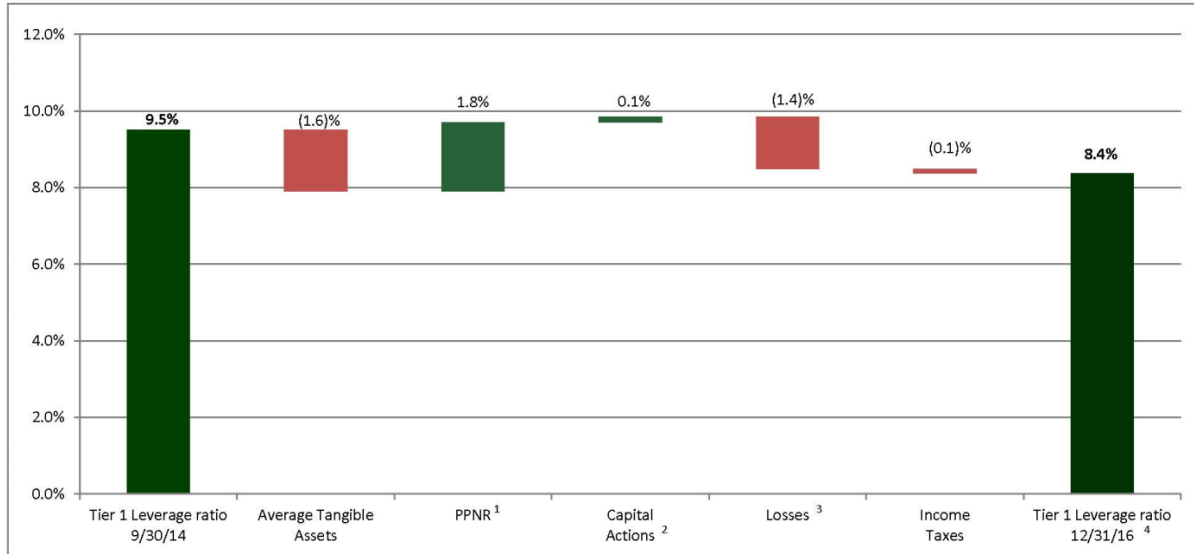


- <sup>1</sup> Pre-provision net revenue (includes losses associated with operational risk).  
<sup>2</sup> Includes management's judgment of capital actions that include common and preferred equity offerings, and common and preferred stock dividends.  
<sup>3</sup> Includes provision for loan losses and other-than-temporary impairment losses.  
<sup>4</sup> Numbers may not sum due to rounding.



**Annual Company-Run Stress Test Results**  
**Dodd-Frank Act Stress Test Disclosure – Supervisory Severely Adverse Scenario (continued)**

Tier 1 Leverage Ratio



<sup>1</sup> Pre-provision net revenue (includes losses associated with operational risk).  
<sup>2</sup> Includes management’s judgment of capital actions that include common and preferred equity offerings, and common and preferred stock dividends.  
<sup>3</sup> Includes provision for loan losses and other-than-temporary impairment losses.  
<sup>4</sup> Numbers may not sum due to rounding.

**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements, including projections of our financial results and condition and capital ratios under a hypothetical scenario that incorporates a set of assumed economic and financial conditions prescribed by our regulators, which are more adverse than expected. The projections are not intended to be our forecast of expected future economic or financial conditions or our forecast of the Bank’s expected future financial results or condition, but rather reflect possible results under the prescribed hypothetical scenario. Our actual future financial results and condition could differ materially from the results reflected herein and will be influenced by actual economic and financial conditions and other factors described in our reports filed with the FDIC, including our Annual Report on Form 10-K for the year ended December 31, 2014. In addition, if this scenario described above, or one comparable, were to occur, First Republic could either underperform or over-perform relative to the presented results. First Republic assumes no obligation to update any forward-looking statements contained herein.