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PRESENTATION

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

All right. Good afternoon, everyone. Next, we are pleased to have First Republic. First Republic has continued to have best-in-class growth across its markets. It's -- in addition, it's continued to gain market share in its wealth management business and its millennial strategy has resulted in accelerating customer acquisition. Here to tell us more about the story is President, Gaye Erkan and Chief Financial Officer, Mike Roffler. We're -- they're going to give us a presentation that will be followed by Q&A.

Hafize Gaye Erkan - *First Republic Bank - President*

Thank you very much, Ryan, and thank you all for joining us this afternoon. Mike Roffler, our Chief Financial Officer and myself are delighted to be here to present. And are joining us today, we have a few colleagues here in the audience. Jeff Bruce, Anna Legio and Sunny Patel. If you don't mind introducing yourselves, please.

Jeffrey Bruce - *First Republic - Regional Managing Director*

Jeff Bruce, Regional Managing Director here in New York.

Anna Legio - *First Republic Bank - District Manager*

Anna Legio, District Manager here in New York.

Sunny Patel - *First Republic Bank - Relationship Manager*

Sunny Patel, Relationship Manager here in New York.

Hafize Gaye Erkan - *First Republic Bank - President*

Great. Thank you very much. And before we start and dig into the slides, why First Republic? Very unique, very strong culture, service culture. Coupled with very simple structure and very simple business model. And we are a service organization that just happens to be in the banking sector. So we wake up every day to take care of our clients to keep them happy. When our clients are happy, they stay with us, they do more with us and they refer us to their friends and families and businesses. And we are a growth company that values safety, consistent results with great transparency. We have been profitable for 33 years, 33 consecutive years, with mid-teens loan growth, sustainable organic growth, ROE in the 10%

to 13% like clockwork in good years and bad years, tangible book value per share, 12% to 15% CAGR over the past 5-plus years. And most importantly, industry leading Net Promoter Score client satisfaction and happiness that is more than twice the banking sector.

So let's talk about our model briefly. Our model is premised upon exceptional, highly differentiated client service. What you see in the diagram is a single point of contact that has incentivized the relationship manager, like Jeff has presented here, that is incentive -- who is incentivized to deliver extraordinary service and committed to service excellence for their clients. And the model is very much culturally driven. Everyone is gathered around to provide the best service for the clients, and our teams are incentivized to work together in a very holistic, in a very collaborative way to achieve that. Most importantly, our bankers are happy and stable.

Our biggest asset are our people, and the most amazing statistic for First Republic is 90% of all the loans since inception, since 1985 have been originated by bankers who are still at the bank. In private banking, stability is key, and we believe our happy people, when we keep our people happy, then they are stable, and the more we empower them, the more they delight the clients. And their happiness and stability leads to clients happiness and stability with us.

Going to our markets because it's one of the key drivers of our growth. We are in very few, carefully selected markets. San Francisco, New York, Los Angeles, Boston are our primary markets. We're in urban coastal areas that are diverse, knowledge-based markets and they significantly outperform the rest of the United States. In these markets, we find our target clients. Who are there? Urban coastal professionals, highly educated, highly employable. What do they have in common? Beyond other features, they are very much time constrained, and we give them peace of mind, and we give them their time back by taking care of them with great trust in the relationships.

Now in addition to being economically vibrant, our markets represent the greatest and growing concentration of high-net-worth households in the United States. Now a little less than 50% of our client high net worth households, and we don't categorize them as such. There is a Capgemini study that does a worldwide wealth report, and according to their definition, high net worth households are represented as 1 million plus in investable assets. And if you take their statistics, our markets contain, if you look at the numbers on the right, our markets contain 21% of all U.S. households. But nearly, 60% of all high net worth households in the U.S. And if you look at the chart on Page 5, for those of you on the webcast, so I'll reference the numbers, on Page 5, if you look at the chart, these markets are attracting and generating high net worth households at a rate twice the rest of the United States. If you look at 2003, when we began the study, our markets contained just 46% of high net worth households, and now they are 59%. And after consistent growth, organic growth over many years, we still only have a little over 4% market share in the markets that we're in. So with such low penetration, we do not need to reach on credit, and we definitely don't need to go into new regions, lots of room to grow in the markets that we're in. Our #1 scorecard in these markets and focusing on to urban coastal professionals our #1 report cards is our Net Promoter Score. Our entire model is based on this. Our overall Net Promoter Score, you can see on Page 6, is 75%, it's above Amazon, Netflix, Apple, more than double the banking sector.

Now for clients who consider us as their lead bank, their satisfaction is at 83%. The more they do with us the happier they are, and we create the condition for such service excellence through a deliberately cultivated culture that's embraced by everyone at the bank by putting the client first.

Why do we care about Net Promoter Score so much? Well, that's the driver of our growth. We're -- the sustainability of our growth is because we're growing from within. The biggest win is not losing the client. Our client attrition rate is at 2% on Page 7, compared to the banking sector that's 8%. Not only we don't lose the clients, but also the clients we have whether you look at it on the deposit, or on the lending side, we do more with our clients. Over 50% of our growth comes from existing clients, happy clients doing more with us. Additional 25% or more every year of our growth comes from clients, happy clients referring to others, their friends, families, businesses and where their heart is, their nonprofits. And then the other 25% is coming from the branch reputation and people walking into our branches and preferred banking office and whatnot. Now before I turn it our Chief Financial Officer, underlying all of this commitment is an equally focused investment into tech ops. For us technology and operations is one word and united in one team. Our tech ops strategy is not to replace our high-touch model, our tech ops strategy is to empower our bankers who'll have the trusted relationships over many decades with our clients, and to continue to scale the service culture, which we know works. With that, let me turn it over to our CFO, Mike Roffler. Thanks.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Thank you, Gaye. We're going to just run through a few numbers here. And then we'll get some questions from Ryan. In a lot of these charts that we are about to look at, really everything Gaye talked about, especially around clients service, strength of the markets, is really what leads to sort of the results you're going to see which is really just one relationship at a time. So looking at sort of growth in loans that I am on, for those online, I am on Page 16 from our deck, which -- this shows you about, just over 5-year period on the growth rate of loans. If we drew this back going further in time, the result in the gold bar wouldn't be much different. And again, this is day after day, Jeff wakes up and serves his clients to the best of his ability and focuses on what they need, and what they're trying to achieve, and we do as much good businesses as sort of sits in front of us and this is a result you see of that extraordinary client service, coupled with the strength of economic activity that are in our markets. And this has been, as you can see, sustainable over very long periods of time. Coupled with that, not only are we growing at the pace we're at, but you see the credit loss here on the next slide, I am on Page 9, really strange to back and forth like that. But compared to the top 50 U.S. banks, the banks over a long horizon, we have average very low credit loss, 7 basis points. In the last 5 years, you can see, they are essentially 0 across the board almost. Relative to the industry, it's much better than what the top 50 banks have achieved. So it's safe, organic, stable growth. Same product offerings, same geographies with people who have been doing it for a very long time. And so that -- the team knows what it is, and we're trying to do and what you're looking for from the credit perspective when they go out in the market each and every day.

That's also reflected on Page 14 in the banks conservative underwriting standards over time. You can see a snapshot here of our loan to values from 2010, and then also from our most recent quarter. And you can see in most cases, they are the same or lower in all cases, as we continue to be extremely conservative. I mean, we can almost draw this 50% to 60% pretty much all the time is our sweet spot and where we like to do new business at. And all across all geographies, all product types, really doesn't vary. And this contributes to their credit record that just we looked at on the prior page.

Turning to the deposit franchise, which is obviously also been a key source. It's almost 86%, 87% of the banks overall funding. We are largely deposit funded. And importantly, there is a good split between business and consumer. As you see here, a little bit tilted more towards business, but it's been relatively consistent over the past year. And also we're very happy that our deposit rates and even our funding cost betas have remained pretty much in line or a little bit better than the industry has been over time. And that's coupled really with the strength of the service and the franchise and the quality of that delivery. So we're very pleased with how the deposit franchise has remained and performed while continuing to grow at a pretty significant pace relative to others in the industry.

Turning to business banking. We are a little bit new in business banking, frankly. It really was a genesis of our individual consumer led initiatives who really brought us along to the businesses that they lead, or the nonprofits that they operated within. And so clients really brought us to business banking as a referral business because they had a great experience on a deposit or a home loan front. Well now, that's grown to a point, where as I said before, it's more than half our deposits and it's really great source of funding because we have over $4 of deposits for every loan outstanding. And so it's really been a great source of funding, and has grown commensurate with the bank and even faster here in the last several years as we've continued to grow into more than just a referral business to where we actually do self-source because of the quality of our business banking platform.

Wealth management. Again, another place clients brought us to. This has been growing at 28%, 29%, here as you can see fees over 30% over the last 5 years. And it has been an important sort of investment in the franchise, it helps diversify our revenue base. Because it's now 14% of revenues, and when this chart started, I think it was about 7% of our revenues. And so it's been a greater fee contribution. And again, it evolves with our client base, right? Our client base, as they have become more mature and they think about wealth planning, transfers, things like that financial planning, wealth management becomes more important. And importantly, we are an open architecture platform, we are not a creator of a product that we are then going to go sell to our client base. It's really about individual customized planning and what are you trying to achieve as an individual one-by-one.

Let's talk about, I think Ryan mentioned this early on. One of the things that we've been very focused on sort of at our core is client acquisition. And historically, that came probably through 2 avenues I'd say. One, would be the single-family home loan where we attracted a client to us through a referral or through repeat business. And then also through our deposit taking activities in our 70 offices in our markets. They may have come into the office for that experience. More recently, we have begun to acquire clients really from a couple of sources: one, the wealth management business where we've hired a team of people and they bring a client base with them, and then what you see here on one of our supplement slides, Slide 3, through our next generation strategy, which is really attracting through the professional loan program, where we will help finance the -- buy into a partnership or a co-investment in a fund. And also through the student loan refinance business where we're refinancing typically graduate debt into a much more affordable interest rate. And as you can see here, we grew from about 5,000 households at the end of 2015 to over 20,000 households today and still growing. And so really, this is a -- it's a form of customer acquisition, at an earlier stage than before they may have come to us otherwise. And so this really extends the life cycle of a First Republic client earlier in their career. They can then lead us through the mortgage into wealth management opportunities and financial planning, trust, estate all the way through. So it's really about extending the life cycle and then coupled with that, individuals such as Sunny have been added to our relation management team to really develop the next generation of relationship managers to help serve the clients and the needs of these clients, especially as they evolve in their lives. And then I think the last page, which a supplemental Slide 2 sort of gives you a view of the credit characteristics. Very strong credit profile. High 700s FICO scores, about $3 billion between the 2 portfolios and very few, I think at September 30, we have had 3 charge-offs in the student loan refinance and none in the professional loan programs. These are -- think of the next generation of leaders, of companies, of law firms, of private equity firms who are accelerating in their career in that urban professional environment. And we're obviously very excited about the momentum in this business and how it continues to sort of seed the bank for the future. And with that, I'm going to stop, and we'll go to few questions with Ryan.

QUESTIONS AND ANSWERS

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Great. Gaye and Mike, thank you very much, for the presentation. May be, just start off with growth. When I think about loan growth in 2018, you guys have been running over 20%, about half has been coming from single-family. Over 20% of its coming from commercial, largely the capital call business. How do you guys think about the drivers of the mid-teens growth that you've talked about moving forward? Are you expecting any sort of shift in terms of what's going to drive growth going forward?

Hafize Gaye Erkan - *First Republic Bank - President*

Year-over-year, our loan growth -- we don't set a loan target. We don't have loan goals or targets. The mid-teens guidance that we have given, we do feel comfortable over the next 12 months. To give you some perspective, our year-over-year loan growth as of the third quarter of this year has been 22%. And it is -- we have seen good quality of lending opportunities, the business activities remain strong in the private equity-venture capital space. While the refi volumes have slightly come down, the purchase volume remains strong and the repayments are slowing down given the rate environment, and we have some control over the loan sales as well. So looking forward over the next 12 months, given the activity in the markets, we do feel comfortable with the mid-teens loan guidance. You want to add?

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes. I think, I would also just add the sort of strength of the client service and what happens every day, and the bank's reputation only continues to get stronger. And the clients really bring that to us through what they do every day in the market and referring Jeff to the next 3 clients.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Maybe just dig into one other part of the portfolio. The credits really have been a big concern in the investor community for you guys. However you have grown capital call and VC business at a decent clip. Can you just remind us of what the strategy is there? How the credits are underwritten? And why is that good business at this point of the cycle?

Hafize Gaye Erkan - *First Republic Bank - President*

So it's -- and I'll ask our colleagues to chime in as well on the type of the business. But in general from a firm's perspective, it's -- what we do in terms of the capital call lines is short duration, bridge financing until the capital is called with very strong LPs, on average, 90 days to 120-day type of time horizon. So -- but the most important part is, how do we get to these private equity firms that we end up lending to.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes. So we underwrite to the actual investor. So the loan is quite safe. But that brings us to the private equity firm. And what we really want from that firm is to get to their individual clients and meaning, employees. And so we're using that to build bridges to employees. At the same time, there is great operating balances, and other banking business we can do at that level.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

May be shifting gears. And I've been amazed at your ability to grow deposits in a pretty cost-effective manner as the cycle day betas are below 30. And I think that you guys have articulated, it's below where even where your expectations are. I guess, as we move further in the rate cycle, and investors just have more investment options. How do you think about your ability to continue to grow deposits? Where do you see the drivers? And how do you see if the mix of checking versus CD going forward?

Hafize Gaye Erkan - *First Republic Bank - President*

Thank you very much for the comment on that. So yes, we have been very pleased with our 14% year-over-year deposit growth with a beta of 20% year-over-year and less than that since inception, since the Fed started hiking at the end of 2015. We do model for perspective in our NII simulations. Looking forward, we do model a 45% beta to be conservative as you know, as we're conservative in everything that we do including credit and refi assumptions. So -- and our realized experience has been lower than that.

A few drivers of this: Number 1, diversification of deposits is key to the success of our deposit gathering efforts. What do I mean by that? We have a healthy mix between business deposits and consumer deposits. Because the way we get to business and nonprofits is because we bank you and you're happy with our service. And then you take us and our bankers to whatever your heart and mind is. And that's your business and nonprofits. So that makes it a lot more sticky. Within business deposits, one word -- there's no vertical that represents more than 10% or 11% of our deposit franchise, so it's very well diversified. And it ranges from professional services, law firms, nonprofits, private equity-venture capital firms with -- I'll let Mike to talk about the business banking in general. And it has been a huge driver of our deposit gathering. But maybe I'll turn to Anna Legio, who has been with us for 17 years now.

Anna Legio - *First Republic Bank - District Manager*

I've with the bank for 17 years. And I started out at the Park Avenue office which was the first office that was opened in the East Coast. To date, my balances are $1.4 billion. And I believe it is the biggest in even the West Coast but sorry about that. But it's a -- it's a cohesive working environment. We work with the just of the world to make sure that the client is taken care of. And again, my balances are about $1 billion in checking, personal and business and the rest is the CDs and checking.

Jeffrey Bruce - *First Republic - Regional Managing Director*

How do we match our CDs and checking. Are we taking CDs alone or we bridging the...

Anna Legio - *First Republic Bank - District Manager*

We're using the CDs to bring the client into the bank. Our rates are attractive, especially in the, I will say, in the 18-month period. So that is a draw that brings them in, but at the same time we talk about our checking accounts. And that's a sticky product that we go after. I think, by giving the type of service that we give, time and time again the clients keep coming back to us for additional...

Hafize Gaye Erkan - *First Republic Bank - President*

The barbell that Anna is mentioning, that the -- half of the time our CD clients do have a checking relationship to those, and it's about the same size on average of the CD relationship. So what happens is, when you think of it like the barbell, it's good in the rising rate environment to add duration. Weighted average original term of the CDs is about 18 months. And then you get the checking relationship, given our bankers and how well they know the clients and what matters for them. That barbell strategy is actually better than the belly of the curve, which if I may call it is the money market deposits, which in some of the banks, competitor banks, it's more of a hot deal chasing. But the only thing we didn't really comment on which was a great contribution.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes, I think business banking has been a wonderful contributor to our deposit franchise, and sort of keeping the betas low because many of those businesses are their checking accounts are operating accounts where the most important thing obviously is that when the 200 wires go out for a deal, they know then and have confidence in the team that is going to done, it's going to get done right, because they've got multiple LPs that they're trying to get to. And so that relationship and that trust we built over time is very important and it leads to people doing more business with us.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Mike, you and I were talking about this yesterday. The net interest margin has been an area of focus for investors. You've talked about remaining in this to 2.85 to 2.95 range, has obviously seen a lot of flattening of the curve. Pretty recently, I guess, what is that 2.85 to 2.95 factoring in terms of Fed moving given that you're in the market is clearly signaling either a much slower Fed or a much worse economic outcome?

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes. I mean, we are -- we obviously assume there will be continued fed hikes, all coming here in December and then a couple of next year. Obviously, in any of the recent comments you may have to revisit that. But I think we already thought the curve was pretty flat and unfortunately got flatter a lot quicker over the last 2 days, or almost as we sit here. And so obviously that will -- it depends how much that's reflected in mortgage pricing a lot of it. On the asset side, we compete with the largest banks in the country for A-quality business and that necessitates very A-quality pricing for those borrowers. And we're always one that we're not -- as we talked about earlier, we're not going to sacrifice on credit, but for the right client and the right long-term relationship, we'll be very competitive. And if that puts a little pressure on asset yields, that's a short-term thing for a long-term client. But for now, we feel pretty good about that outlook and where the margin is at sort of here as we go forward.

Hafize Gaye Erkan - *First Republic Bank - President*

Maybe just to add to Mike's comment, NIM is part of the equation. And then in general, average U.S. Bank grows call it 3%, but you should chime in on the numbers.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes, 2% to 3%.

Hafize Gaye Erkan - *First Republic Bank - President*

2% to 3%. First Republic with mid teen guidance and, year-over-year 22% so the NII growth is really what matters for us, it's the earning asset growth, the earning asset times the net interest margin. While there may be some fluctuations. We do feel comfortable with 2.85, 2.95, as Mike said. While there maybe fluctuations, the growth and the earning assets largely offsets any volatility in the NIM.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Gaye, one thing I wanted to ask you about, obviously the deposit environment has remained competitive, as I said earlier, but you guys have done a great job, growing deposits. I guess as we get further in the cycle there is the chance that just the deposits that are generated for the system become harder to come by. When I think about your bank, you're at 16% HQLA, after certain munis were reclassified. I think the target has been closer to 12%. Can you just talk about what this strategy means for the securities portfolio? You've talked about, I think, keeping them stable? And what you think this could mean for your ability to be a little more selective on deposit price hike?

Hafize Gaye Erkan - *First Republic Bank - President*

I think you asked that perfectly. We will grow -- we do intend to grow into the -- so with the inclusion of municipal securities that we have, some of the municipal securities that we had in the HQLA, our HQLA ratio is now over 16%, well above this 12% guidance that we have been giving in our earnings calls. We intend to grow into it. Now given our mid-teens growth and above. So it won't take us too long. So probably a year and maybe a little just over a year to grow into that. But it is fortuitous time, as you said, that we don't have to grow the securities portfolio that gives room for the lending growth, which comes with growth opportunities and the relationship. And that alleviates the pressure off of the deposits.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

I wanted to hit on a couple of different random topics. First Republic over the last few years, one of the reasons the efficiency ratio has shifted up a little bit, you guys invested incredibly heavily in technology or I think of the rollout of the new online platform you're going through the core conversion now. Can you just talk about what some of the big tech initiatives are? Where we are in those stages? And what's still left for you guys to do on the technology front?

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes. I think we're really pleased that we've been able to upgrade digital, mobile, online, loan origination. How we do deposit client on boarding while keeping our efficiency sort of in this band. Ryan, you mentioned the core conversion, which is sort of in the early phases. And obviously, the relax from the FDIC surcharge will help sort of offset some of that investment here as we go forward, and so I think that's helpful. Really sort of our investment in tech ops as Gaye said, it's really around a couple of things, it's about how do you improve the employee experience? How do you improve the colleagues or the client experience along with the colleague experience? And how do you scale the franchise as we go forward into the future, right? The opportunities in the markets that we're in are so strong and the clients are so active that these investments that sort of give a customized experience are really important to the future and to that client base. And so we want to be there for when the next new thing come up. We probably can't tell you what that is, right? Popmoney was important, Venmo was important, now Zelle is important. So you have to be somewhat nimble. And one of the things that we're doing with -- doing things like digital and mobile before you just [inaudible] you get to a more agile platform than what we had before. So that agility allows you to react more quickly? And so obviously working and thinking about payments. How do you be a better place for your clients when they want to process payments more quickly and be that one place to go sort of coupled with what we're doing with core, and then making their experience better. And so we're continuing to do that. But we learn from our clients at the same time.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

You guys have always been forward thinking when it comes to capital. I think you had an equity raise earlier in the year, I think you did a preferred swap, one for the other. If we are to see a slowdown, historically that's been a time where you guys have taken market share, you showed on the slides where your market share tends to go up in those time frames. How do you just think about the needs for capital over the next, call it, 18 to 24 months given the economic outlook that we have at this point?

Hafize Gaye Erkan - *First Republic Bank - President*

Yes. So given our premises, we are here to serve you in good times and bad times. Safe credit, so we don't have to deal with bad credit during downturns. Strong capital, strong liquidity. And when it comes to capital, we are opportunistic in capital market and very small size, so that it doesn't harm our existing shareholders, but takes the advantage of the capital markets at times. Having said that, we always keep 2 years' worth of growth capital in advance of the growth. So we're very well -- if capital markets were to be shut down for the next 2 years, hypothetically speaking, and we are going the bank at mid-teens, we are going to be well above the well-capitalized ratios by end of 2020. And we do that on a rolling basis. And -- but that doesn't stop us from being opportunistic at times when we see good deals.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

I wanted to ask about one of the slides you put up over which showed over 20,000 next-generation clients have been acquired. This a strategy the banks, that I think is 2014 or 2015. Can you just talk it about how the profitability of these customers looks relative to your existing customers? And now that you've been at this for almost 5 years. What have you learn from them? And are the costs to acquire them starting to come down?

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Yes. I'd say, if you picture that chart, you sort of have 4, I think we had 4 years of cohorts. And early on, there's an acquisition cost, there is a sort of loan loss reserve build up cost. And so there is overall profitability that's a little bit of a drag. But now as you sort of get to year 2, year 1 helps pay for year 2, and now we've got sort of 3 years that are up and running. That is more than paying for the acquisition that's occurring this year and beyond. So it becomes a very profitable business, and that doesn't even factor in the fact that their deposit balances will likely grow with us over time and we'll eventually start to do additional things with them, such as the home loan, which is really what we're trying to get towards. In terms of how we acquire, we absolutely are learning how it works and bringing the acquisition costs lower than it's been, both, how do they get to us and then how do we get it through our process? And so I think both those things are helping sort of the ultimate profitability of that to where it's a very contributing factor overall. And importantly, between PLP and student loan refinance, a lot of it still self-funded. Student loan finances is a little bit less, but PLP is very close to self-funded, if not entirely. That's a very profitable.

Hafize Gaye Erkan - *First Republic Bank - President*

And maybe Sunny is serving our -- some of our younger clients. And Sunny, you are almost 5 years with us now?

Sunny Patel - *First Republic Bank - Relationship Manager*

Yes. I've been here for 5 years. So I primarily focus -- with working with clients that typically have refinanced their student loans with us. The goal really does come down to the fact that we do want to develop those relationships and primarily from the beginning of our conversation that's what we discussed. The focus of really cultivating that relationship and being their primary bank. Really our goal is to help them with not just refinancing their student loans but growing with them, so if you're looking to purchase a home or other things come up, we're there every step of the way.

Typically, they've been very receptive. Most of these clients once they're ready to purchase a home, they do reach out to us as trusted advisors, and we really do guide them through the process and make sure that they have that availability. Plus they've become increasingly interested in our others platforms, such as Eagle Invest, which is fairly new where they are interested in learning more about that as well.

Hafize Gaye Erkan - *First Republic Bank - President*

It's our robo advisor.

Sunny Patel - *First Republic Bank - Relationship Manager*

Sure.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Gaye, maybe 1 last question from me, one of the big things that's been talking about at the conference has just been investing in the technology, and just enhancing digital strategies. I guess as the business becomes more digital, clients move more towards self-directed channels, does this decrease the value of the high-touch model, or actually increase the value of the high-touch model given the services you provide to your customers.

Hafize Gaye Erkan - *First Republic Bank - President*

Mike is smiling, because he knows that's my favorite topic.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

It's a great place to end.

Hafize Gaye Erkan - *First Republic Bank - President*

If I could, I know we are short in time. But If I could take a minute of you.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

I owe you a minute from last year.

Hafize Gaye Erkan - *First Republic Bank - President*

Okay, thank you. So a few years back, the banking sector wasn't as much differentiated. Now obviously, with all the digital banking and the enhancements and the banking sector being disintermediated. So there is a much clearer picture that we are seeing at least that there are banks who are spending a lot of the dollars to achieve scale. And kind of get at mass banking with their services that they provide. And they are spending about 9% to 10% of their revenues and expense, but that is the goal to achieve scale whereas tech ops is kind of becoming the end. And then we have the banks like ourselves and a few other competitors in private banking space, we are pure play in private banking. And our -- name of the game for us is customization. So that's where we create value for our clients. And those are the clients who value that -- that come to us, we don't need to bank every single person necessarily nor are we the right bank for everyone in United States probably. So we use our tech ops dollars to scale and empower our high-touch model, and we know that works. So we're spending 9% or 10% of our revenues in tech ops similar to some of the big 4 banks. And our Net Promoter Score for lead bank clients is 83, when the average banking sector is 35. So which one is more effective?

Number 1. Number 2 is, our bankers, our people -- our people are our biggest asset. And our culture is becoming an even more bigger service differentiator. And when you come up with ideas like robotic process automation, so that our people -- not to replace our people, to take their time away from the processes, so there is 24x faster response rate when you need your tax statements, everything coupled together for you. So it goes through your tax accountant seamlessly, and you don't even have to worry about that or a banker who uses dashboards. Our bankers who use their dashboards, we have an artificial intelligence team, Eagle Intelligence, we are paranoid about the client data, so we keep it all in-house, and in house developed. But we don't expose the clients, we exposed to our bankers. Those bankers and they are just in the second innings, who have been using their dashboards they have grown their deposits, as one of the measures, 2.8x faster than those who don't. And we just rolled it out in the next -- in the last 12 months. So it's numerous successes. It's just the second inning. But we know high-touch works and the more we use tech ops to empower that, that's becoming an even bigger differentiator.

Ryan Matthew Nash - *Goldman Sachs Group Inc., Research Division - MD*

Well, we're in extra innings now. So please join me in thanking Gaye and Mike.

Hafize Gaye Erkan - *First Republic Bank - President*

Thank you, Ryan.

Michael J. Roffler - *First Republic Bank - Executive Vice President and Chief Financial Officer*

Thank you.
