



First Republic Bank

“Growth Remains Strong in 2Q22”

Bloomberg: FRC:US | Reuters: FRC.N | Stock Code: FRC

Valuation / Recommendation

We maintain our **BUY** recommendation on FRB and raise our target price to USD181.50 (previous: USD178.02). At target price of USD181.50, FRB would have a price/tangible book ratio of 2.6x which we think is reasonable given FRB’s track record of stellar growth and high quality loan portfolio.

Investment Highlights

Deposits rose 23.0% yoy to USD165.6 bn as at 30 June 2022. Deposits had an average rate paid of 9 basis points during the quarter and represented 93% of FRB’s funding base. Loans increased by 23.1% yoy to USD151.5 bn as at 30 June 2022.

Revenue increased 22.6% yoy to USD1.5 bn in 2Q22. Net interest income rose 24.1% to USD1.2 bn. The higher net interest income was attributed to a larger loan and securities portfolio as well as higher net interest margin.

Wealth management assets increased 2.5% yoy to USD246.8 bn as at 30 June 2022. Net client inflows helped FRB post an increase in wealth management assets despite the market decline.

Conservative balance sheet. Credit quality remained strong with non-performing assets standing at 7 basis points of total assets as at 30 June 2022. FRB had a CET1 ratio of 9.15% as at 30 June 2022.

Risk factors. A recession could result in higher loan defaults which will negatively impact FRB’s profitability. Profitability could also be negatively impacted if the structure of assets and liabilities are not appropriate for an environment of rising interest rates.

Share Information	Top 3 Shareholders (%)		
Market Cap (USD bn)	29.2	Vanguard Group Inc	10.8
Issued Shares (m)	180	Capital Group Cos Inc	8.0
52W High (USD)	222.86	BlackRock Inc	7.2
52W Low (USD)	133.37		
Estimated Free Float (%)	99.3		
Adj. Beta vs S&P 500	1.08		
65-Day Average Vol. (*000)	1,157		

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS FY Dec	FY19	FY20	FY21	FY22F	FY23F
Net Interest Income (USD M)	2,764	3,262	4,114	5,020	5,895
Provision for credit losses (USD M)	62	157	59	281	213
Total Non-Interest Income (USD M)	577	655	920	1,058	1,185
Net Income Available to Common Shareholders (USD M)	881	1,005	1,379	1,436	1,684
EPS (USD)	5.25	5.85	7.78	7.98	9.31
Tangible Book Value Per Common Share (USD)	50.24	57.30	67.10	73.84	81.62
Price/Earnings Ratio (x)*	22.1	25.0	20.9	20.4	17.5
Price/Tangible Book Ratio (x)*	2.3	2.5	2.4	2.2	2.0
Return on Average Assets (%)	0.88	0.82	0.89	0.81	0.81
Return on Average Common Shareholders' Equity (%)	10.6	10.6	12.2	11.1	11.8
Deposits Growth (%)	14.0	27.5	36.0	17.0	14.0
CET1 ratio (%)	9.86	9.67	9.65	9.65	9.65
Non-Performing Assets/Total Assets (%)	0.12	0.13	0.08	0.10	0.10
Gross Dividend Yield (%)*	0.7	0.5	0.5	0.7	0.7

Sources: Mercury Securities, Company

*PE, price/tangible book and gross dividend yield for FY19-20 are based on the closing share price of the last trading day of FY19-20.

NYSE
FINANCIAL SERVICES
BUY
TP: USD181.50
Price: USD162.65

Justin Teo
Justin-teo@mersec.com.my

Business Overview

First Republic Bank (FRB) is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. FRB offer private banking, private business banking and private wealth management, including investment, trust and brokerage services.

RESULTS (USD m)	2Q22	1Q22	qoq % chg	2Q21	yoy % chg
FY Dec 31					
Net Interest Income (USD M)	1,246	1,145	8.8	1,003	24.2
Provision for credit losses (USD M)	31	10	-	16	-
Non-Interest Income (USD M)	263	251	4.8	226	16.4
PATMI (USD M)	392	364	7.7	350	12.0
EPS (USD)	2.18	2.03	7.4	1.98	10.1

Stock Return Information

S&P 500 (pts)	3,999.0
Expected Capital Gains (%)	11.6
Expected Gross Dividend Yield (%)	0.7
Expected Total Gross Return (%)	12.3



Sources: Mercury Securities, Company, Bloomberg

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HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
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Registration No. 198401000672 (**113193-W**)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my