BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of:	)	
	)	
	)	
FIRST REPUBLIC BANK	)	ORDER TAKING POSSESSION OF PROPERTY AND BUSINESS
	)	
	)	
	)	

I. FINDINGS OF FACT

The Commissioner of Financial Protection and Innovation ("Commissioner") finds:

FIRST REPUBLIC BANK

1. First Republic Bank (the "Bank") is and was at all times mentioned in these Findings of Fact, a corporation organized under the laws of the State of California and authorized by the Commissioner to transact commercial banking business in the State of California.

2. The Bank is a public company, registered on the New York Stock Exchange under the trading symbol FRC.

SAFETY AND SOUNDNESS

3. As of December 31, 2022, the Bank's deposits totaled $176.4 billion. As of March 31, 2023, the Bank's deposits totaled $104.1 billion, representing a 41% decrease in the first quarter of 2023. Deposit outflows continue. At close of business April 28, 2023, the Bank's deposits totaled approximately $92.6 billion, representing an additional 11% decrease in deposits from March 31, 2023. Uninsured deposits totaled approximately $42.2 billion, comprised of $30 billion deposited on March 16, 2023 by a consortium of the country's largest banks to help ensure the Bank had the liquidity needed to continue to serve its customers, approximately $3.8 billion in uninsured CD amounts, and net uninsured deposits of approximately $8.4 billion. The Commissioner has a reasonable expectation that deposit outflows will continue.

4. As of December 31, 2022, the Bank had outstanding advances from the Federal Home Loan Bank Board (FHLB) of $14 billion. As of March 31, 2023, to provide additional funding

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necessitated by the decrease in deposits, the Bank increased its borrowings from the FHLB by another $14.1 billion, bringing the amount of outstanding FHLB advances to $28.1 billion, and the Bank obtained advances from the Federal Reserve in the amount of $77.3 billion, totaling approximately $105.4 billion in borrowings. By April 28, 2023, the Bank had increased its outstanding borrowings from the Federal Reserve by $15.9 billion. As of close of business April 28, 2023, the Bank had a total of $28.1 billion in FHLB borrowings outstanding, and $93.2 billion from the Federal Reserve, for a combined total of $121.3 billion in outstanding borrowings. This represents a percentage increase of 766% in borrowings outstanding as of April 28, 2023 as compared to the end of fourth quarter of 2022. Due to the Bank's financial condition, the Bank is unable to get additional funding from the FHLB and Federal Reserve on terms that would ensure its continued viability. The higher cost borrowings that significantly exceed asset yields have contributed to the Bank becoming structurally unprofitable.

5. As of close of business April 28, 2023, the Bank had approximately $14.9 billion in available cash on hand. The Bank has available-for-sale (AFS) securities and loans which could be used to raise additional cash. However, these AFS securities and loans have interest rates which are substantially below today's market rates. This means that these assets would be sold at a loss.

6. The combination of continuing deposit outflows and replacing funding shortfalls with higher interest borrowings is not a sustainable business model. This has jeopardized the viability of the Bank. On March 1, 2023, the Bank's stock price closed at $122.50. The price continued to drop over the next several weeks. During the week of April 24, 2023 through April 28, 2023, the Bank's stock price fell from $14.27 to $3.51. After-market trading on April 28, 2023, indicates that the price has further fallen to $2.33. The Board and management's efforts to restore market confidence in the bank's business model have not materialized. The Commissioner has a reasonable expectation that the overall financial picture of the Bank makes the prospect of a successful capital raise highly unlikely.

7. The Commissioner finds that cumulatively, these factors prevent the continued viability of the Bank. Based on the above factors, the Bank is conducting business in an unsafe or unsound

manner, and is in such a condition that it is unsafe or unsound for the Bank to transact banking business.

II. ULTIMATE FINDINGS

8. On the basis of Findings of Fact set forth above, the Commissioner finds:

a. The Bank is conducting its business in an unsafe or unsound manner due to its present financial condition.

b. It is unsafe or unsound for the Bank to continue to transact business.

III. ORDER

9. On the basis of the Ultimate Findings set forth above, separately and cumulatively, pursuant to Financial Code section 592, it is ordered that the Commissioner take possession of the property and business of the Bank, and the Commissioner hereby takes possession of the property and business of the Bank.

DATED: May 1, 2023
San Francisco, California

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CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation