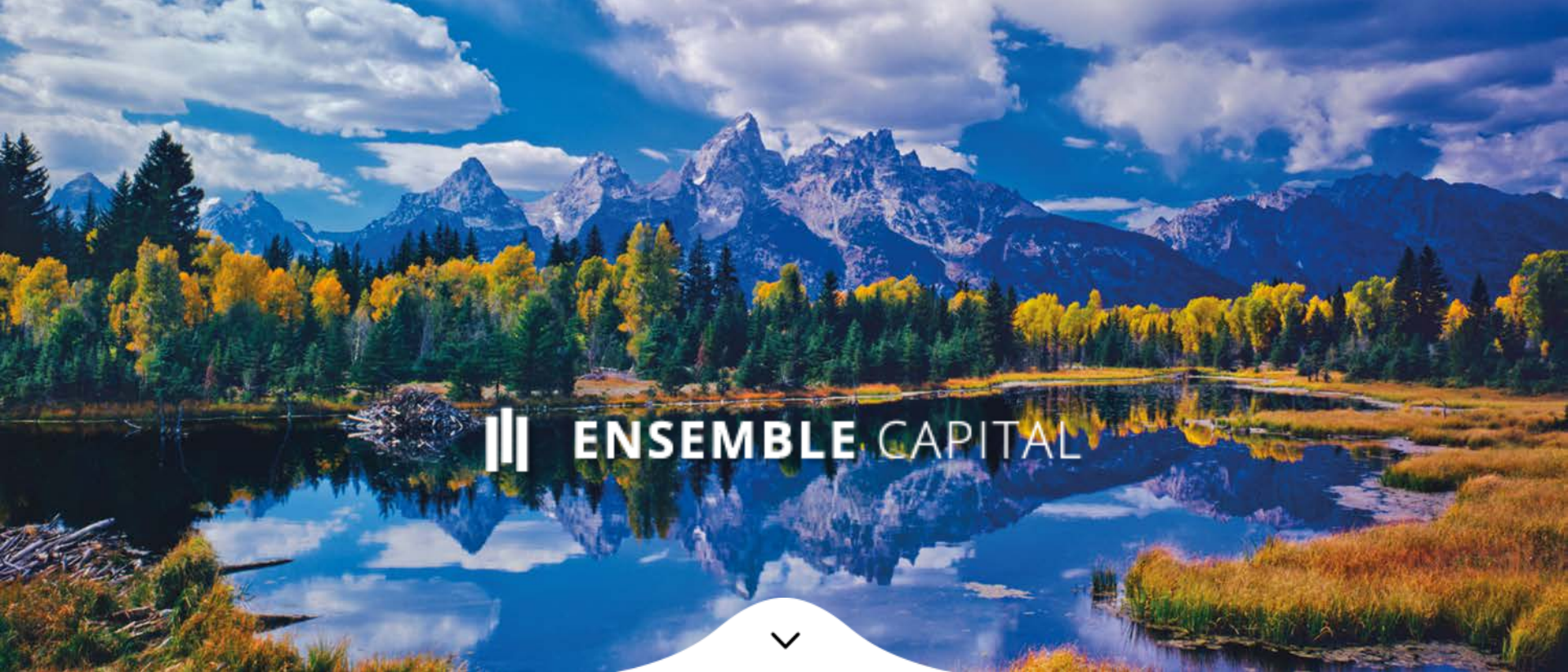




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ENSEMBLE CAPITAL



First Republic Bank
Sean Stannard-Stockton, CFA
Best Ideas 2018, Hosted by MOI Global

EXECUTIVE SUMMARY

FIRM INTRODUCTION

Ensemble Capital Management, founded in 1997, is a 100% employee-owned Burlingame, California-based investment firm managing \$700 million in client assets. Strategically located between San Francisco and Silicon Valley, the firm offers both separately managed accounts as well as the Ensemble Fund (ENSBX). In addition to our U.S. equity investment management offering, the firm provides comprehensive wealth management services to many of our clients.

STRATEGY INTRODUCTION

Our strategy centers on identifying competitively-advantaged businesses that can be purchased at compelling prices based on the amount of cash earnings the companies can return to shareholders over time. Central to our analysis is verifying the existence and sustainability of a company's moat. These competitive advantages have the most influence on rates of return on capital over time. High returns on invested capital, which are far more persistent than high growth rates, result in more distributable cash per dollar of reported earnings. Our valuation approach focuses on the present value of distributable cash flows, which represent the intrinsic value of a security.

PORTFOLIO EXPECTATIONS

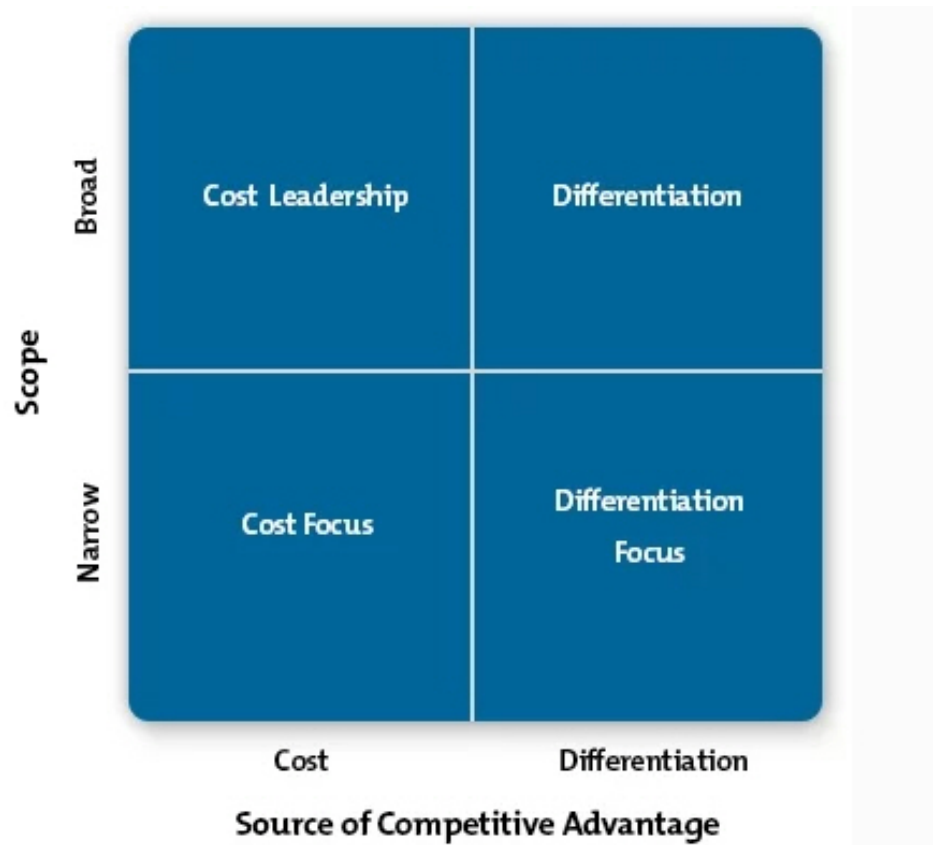
- 15 to 30 securities, primarily mid-to-large company equities, that are traded on U.S. exchanges
- Characterized by competitively advantaged business models rather than by simplistic growth and value characteristics
- Significantly higher than average tangible returns on capital
- Portfolio weightings driven by our degree of confidence in the long-term business model, and discount to fair value
- Individual holding weights ranging from 1% to 9%
- Disciplined framework of target weights and maximum weights at both cost and market
- Cash is a residual of the investment process; there is never a target percentage for cash nor a mandate to be fully invested
- Active share of 85% to 95%

ALIGNMENT

Sean Stannard-Stockton, President and Chief Investment Officer, has 100% of his personal, public equity assets in the strategy.








“We consider First Republic a retail business with a superior franchise.”

Shawn Kravetz of Esplanade Capital



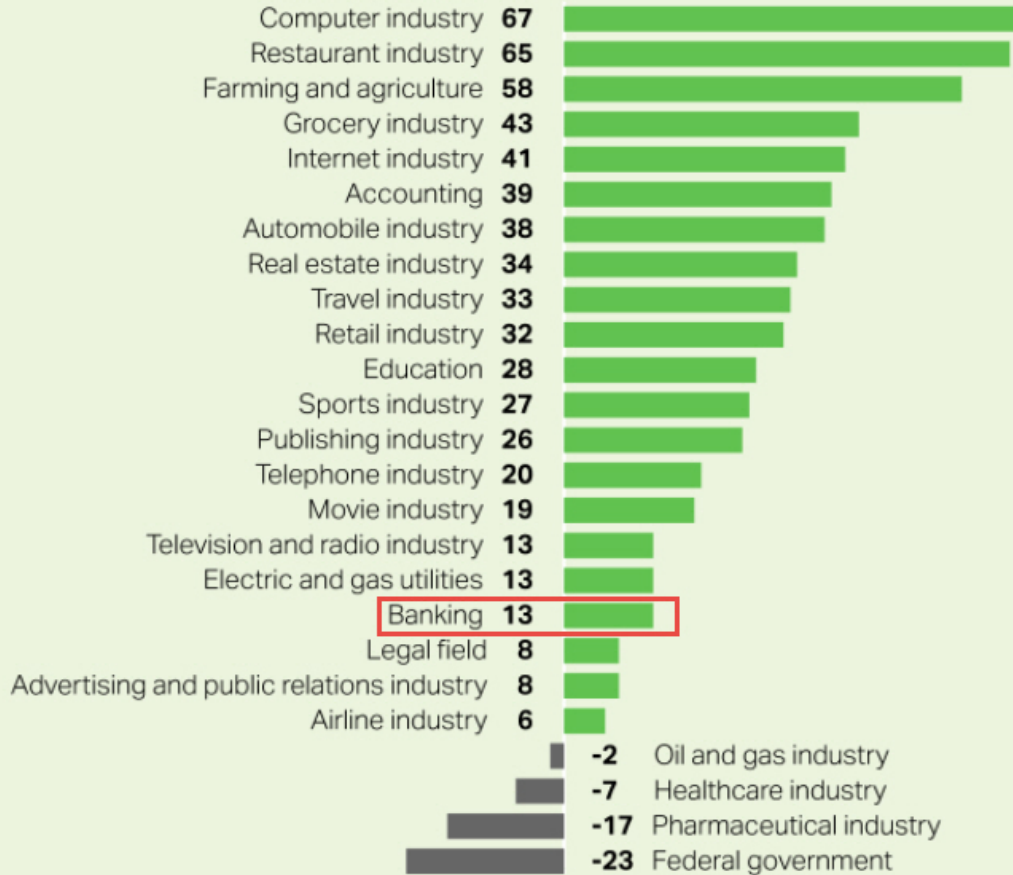
Competitive Advantage: Creating and Sustaining Superior Performance
-Michael Porter

Top Service-Focused Brands ⁽¹⁾

	82	First Republic – as “Lead Bank” ⁽²⁾	←
	80	Nordstrom	
	72	First Republic – Overall	←
	72	Ritz Carlton	
	67	Jet Blue	<div style="border: 2px solid #1a4d3d; border-radius: 50%; padding: 20px; width: fit-content; margin: auto;"> <p style="text-align: center;"><i>FRC</i> <i>more than 2x</i> <i>higher client</i> <i>satisfaction</i> <i>level than U.S.</i> <i>Banking</i></p> </div>
	66	Amazon	
	66	Apple	
	34	U.S. Banking Industry ⁽¹⁾	

(1) Source: SATMETRIX NPS. Please note: The brands listed under 'Top Service-Focused Brands' are brands selected for comparison purposes.
 (2) Over 50% of First Republic clients self-designate First Republic as their “Lead Bank.”

2017 Business & Industry Ranking Net Positive Scores

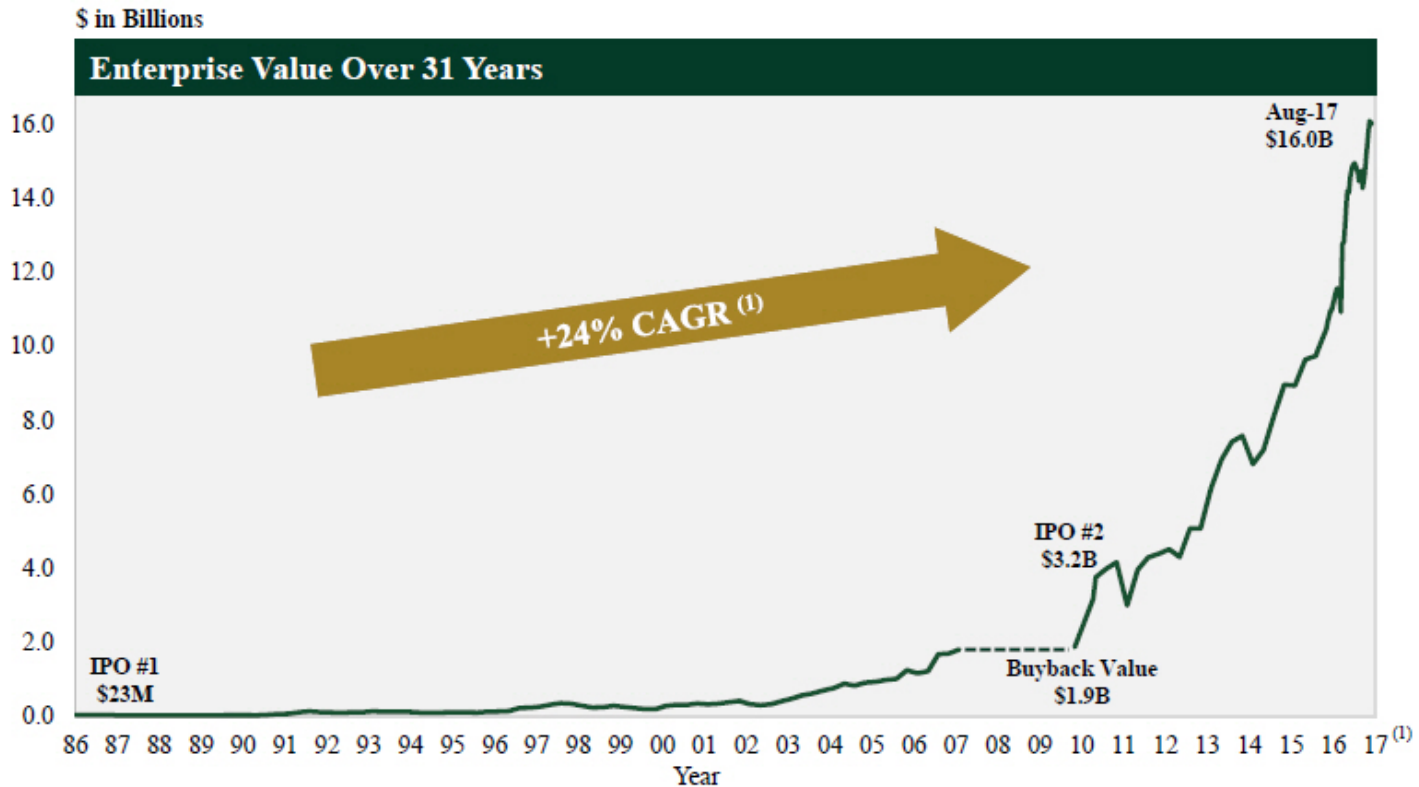


Net positive = % positive minus % negative

GALLUP, AUG. 2-6, 2017



GROWTH IN ENTERPRISE VALUE



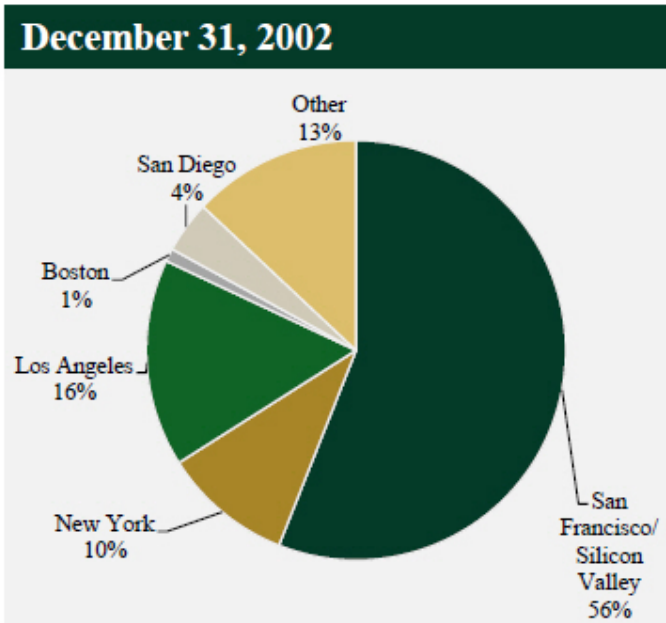
(1) 30.9-year CAGR of total market value of common equity from August 31, 1986 (first IPO) through August 1, 2017.

Note: From September 2007 to June 30, 2010, First Republic Bank was a division of Merrill Lynch Bank & Trust Company, F.S.B. and subsequently Bank of America, N.A. No trading data is available on FRC during this time as the stock was not independently traded.

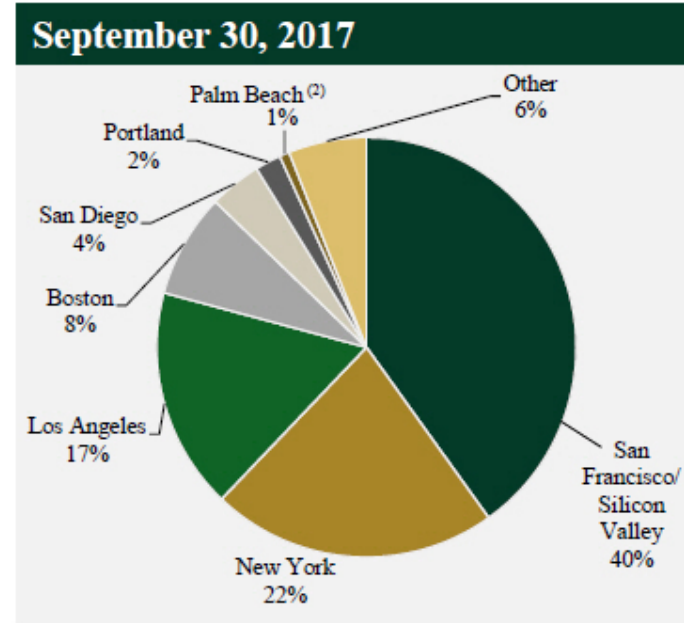
Source: Bloomberg

2002-2017: STABLE GEOGRAPHIC LOAN MIX

Same urban, coastal markets = local knowledge = no new geographic risks
90% of all real estate loans are located within 20 miles of an FRC office ⁽¹⁾



SF + NYC + LA = 82%



SF + NYC + LA = 79%

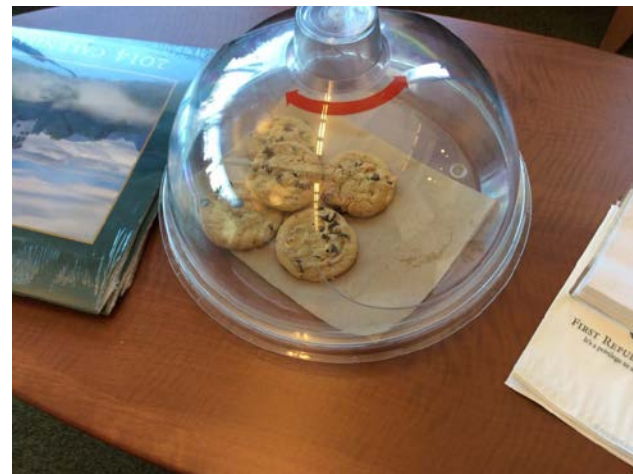
(1) As of September 30, 2017.

(2) Entered Palm Beach, FL, following New York and Boston clients, in 2013.

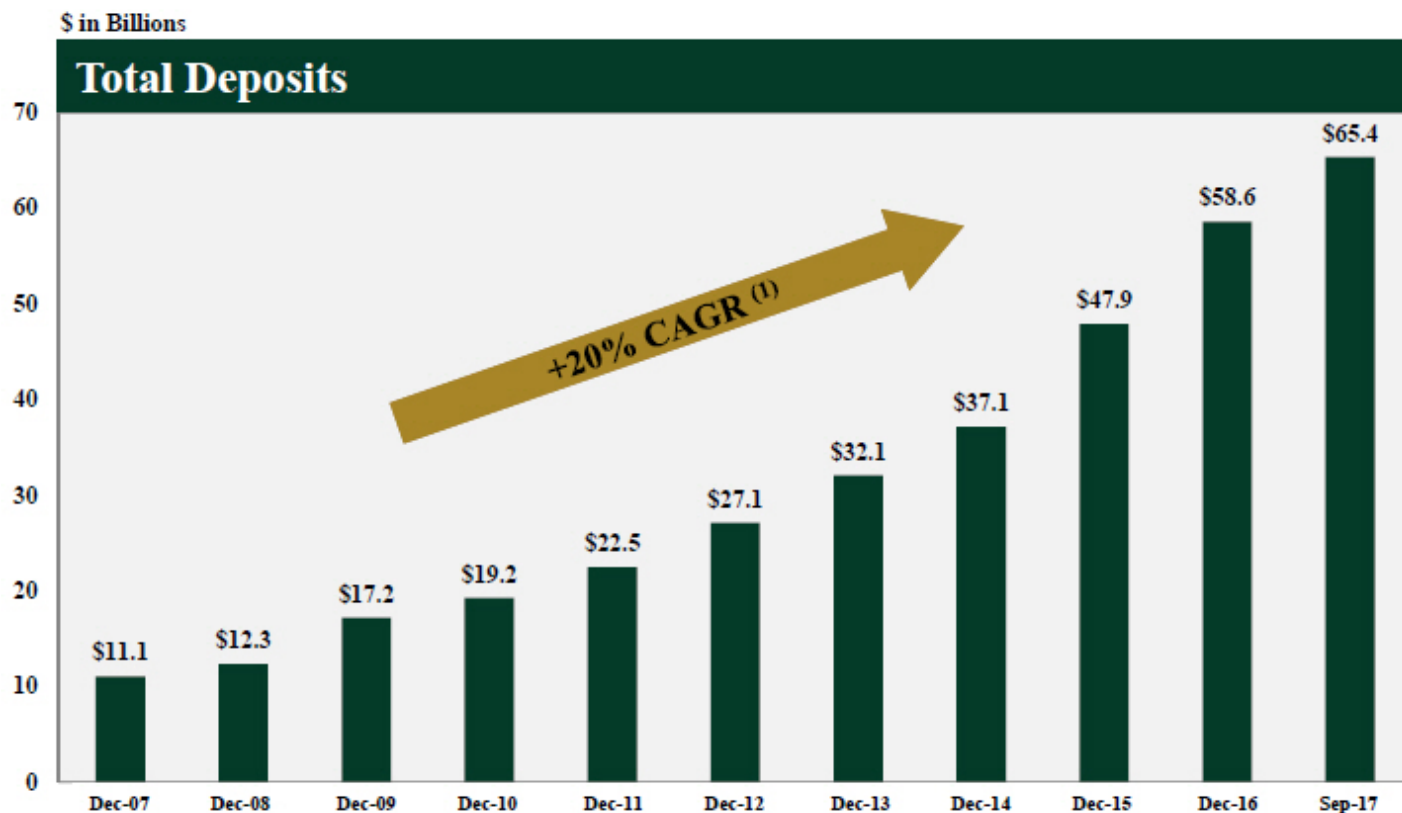
APPENDIX: BUSINESS ACTIVITIES NOT UNDERTAKEN

This list includes the activities in which we do not currently intend to engage. As the Bank evolves, we will maintain and reevaluate this list periodically to ensure it continues to reflect our strategy and capabilities.

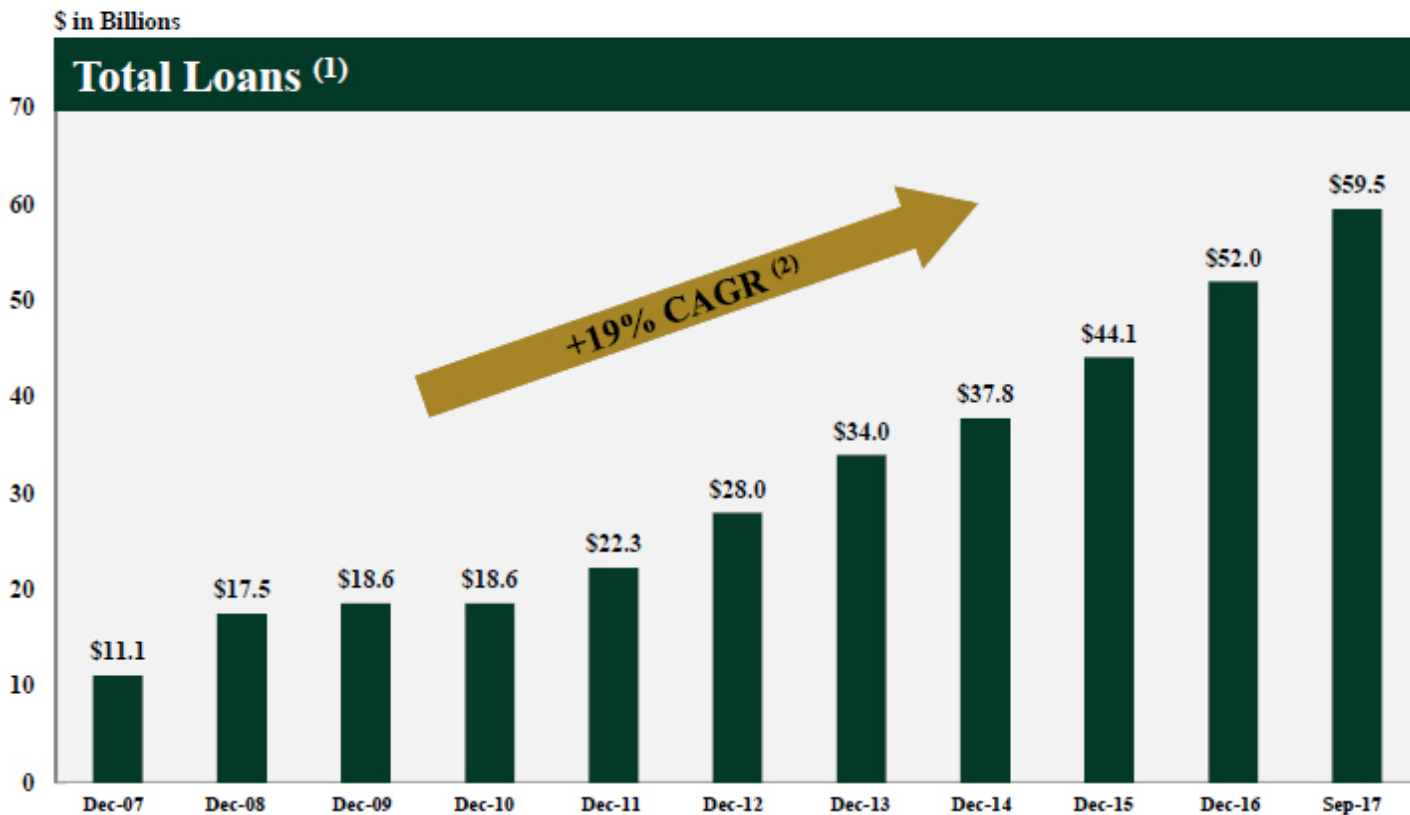
- No proprietary trading
- No proprietary structured products
- No market making in equities
- No proprietary open-end mutual funds, unit investment trusts or closed-end funds
- No trading assets or liabilities
- No cross-currency swaps
- No clearing services
- No underwriting transactions in debt and equity markets
- Not a commercial paper issuer, backstop provider or guarantor
- No underwriting of IPOs
- No credit derivatives
- No junk bond investments ⁽¹⁾
- No foreign sovereign debt investments
- No securities lending or borrowing to or from financial institutions
- No depository institution, foreign bank, and credit union debt positions
- No loans to foreign governments
- No credit cards, corporate cards, auto loans originations
- No no-doc or low-doc, sub-prime lending
- No negative amortization loans (minimal amount in run-off)
- No reverse mortgages
- No loans denominated in foreign currency
- No deposits in foreign offices
- No factoring
- No sale of loan servicing on originated loans ⁽²⁾
- No trade letters of credit
- No conduit securities lending transactions
- No cross-jurisdictional claims or liabilities
- No domestic or foreign holding company and no holding company subsidiaries



ORGANIC GROWTH: DEPOSITS

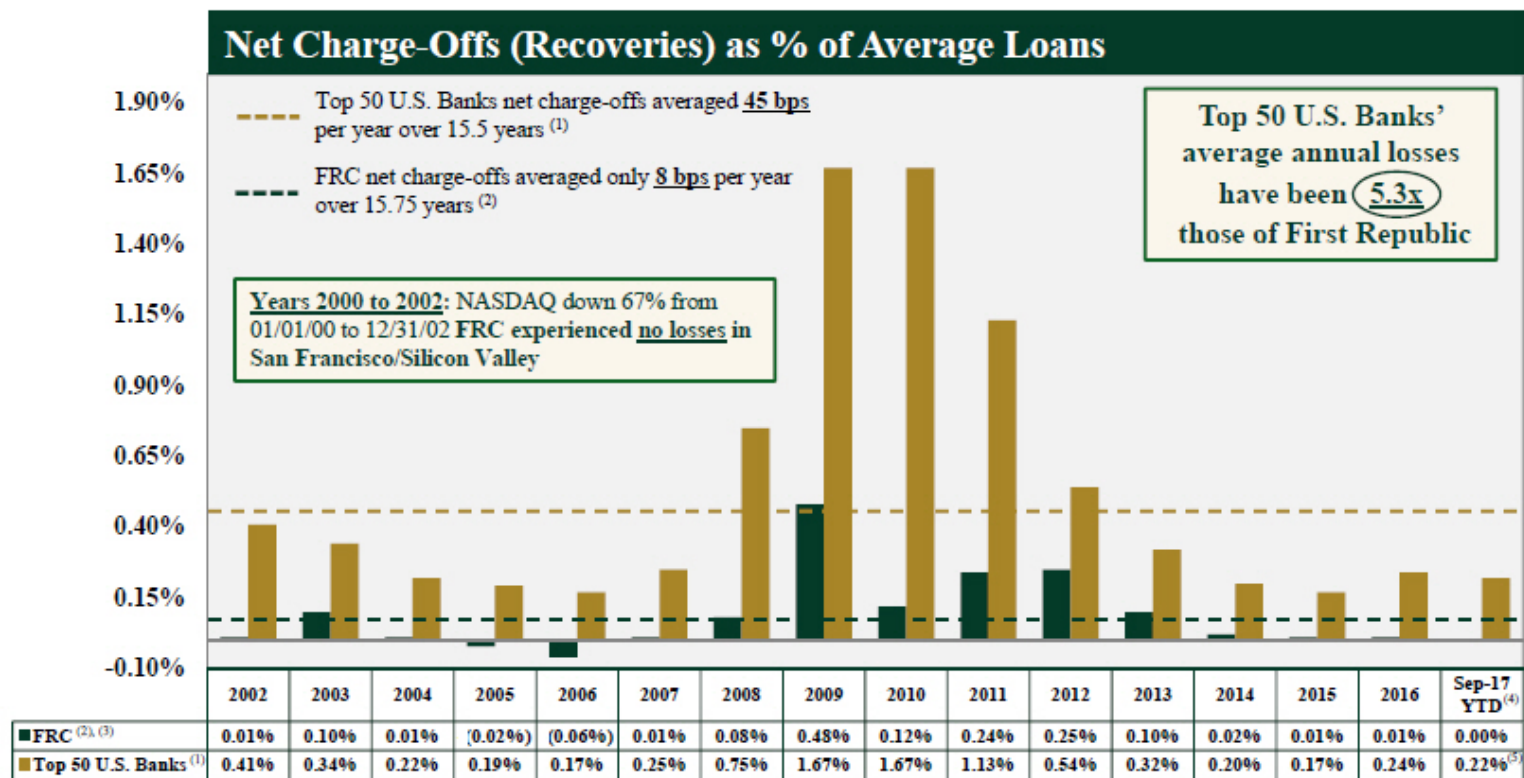


ORGANIC GROWTH: LOANS



Single Family Residential (“SFR”) Borrower Credit Characteristics	4Q15 - 3Q17 <u>Median</u> ⁽¹⁾
Loan Size	\$677,000
Loan-to-Value (“LTV”) ⁽²⁾	61%
FICO	774
Liquidity	\$545,000

2002-2017: LOSS EXPERIENCE - ALL LOANS



(1) Source: SNL Financial. Comprised of the median for the top 50 U.S. Banks by asset size as of December 31 of each corresponding year, and June 30, 2017.

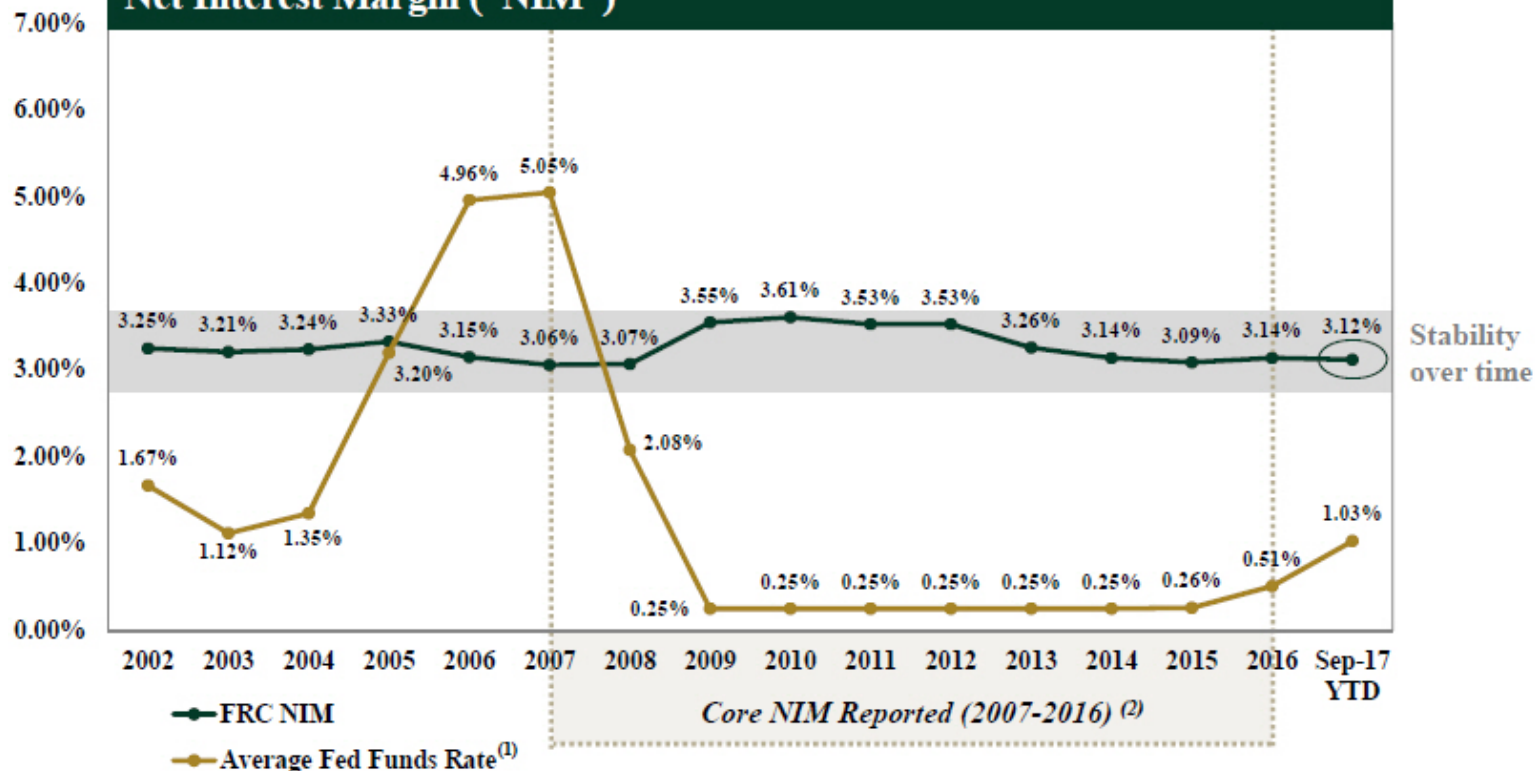
(2) Includes estimated charge-offs on divested loans for period from July 1, 2010 to December 31, 2016.

(3) Beginning in 2009, net charge-offs include charge-offs against unaccreted loan discounts, if any.

(4) Calculated on an annualized basis.

(5) As of June 30, 2017. Industry data as of September 30, 2017 is not yet available.

Net Interest Margin ("NIM")



(1) Represents full-year average, except Sep-17 YTD, which represents year-to-date average.

(2) For 2007 through 2016, the net interest margin is presented on a non-GAAP basis ("core net interest margin"), which excludes the positive effect of purchase accounting during these periods from the acquisition by Merrill Lynch in 2007, Bank of America in 2009, and the Bank's re-establishment as an independent institution in 2010. The core net interest margin also excludes the special dividends from the FHLB in 2015 and 2016. For a reconciliation of the core net interest margin to its equivalent ratio under GAAP, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Use of Non-GAAP Financial Measures" in the Bank's Annual Reports on Form 10-K.

“A high ratio of price to book value, a high price-earnings ratio, a low dividend yield – are in no way inconsistent with a ‘value’ purchase.”

Berkshire Hathaway 1992 Annual Report

First Republic @ \$86

- Price to NTM earnings ratio: 17x
- Price to tangible book value: 2.2x
- 3-Year forward estimated growth: **Mid Teens**

KBW Bank Index

- Price to NTM earnings ratio: 14x
- Price to tangible book value: 2.0x
- 3-Year forward estimated growth: **Low single digits**

As of January 3, 2018



Terminal Fair Value Multiples in 5+ Years

Assumptions

- 14% ROE
- 5% growth

- Will need to reinvest 35% of earnings to grow, leaving 65% to distribute
- Need 4% distribution yield + 5% growth to generate 9% hurdle rate

- 4% distribution yield implies
- 16.3x NTM PE ratio
- 2.1x price to tangible book value

As of January 3, 2018



PHILOSOPHY & PROCESS

Current Fair Value

Assumptions

- Low to mid teens revenue growth
- Mid teens NOPAT growth

Current Fair Value

- ~\$110
- 20x-22x NTM PE
- 2.8x price to tangible book value

Upside Potential

- 25%-30%
- 3-year IRR: 18%
- 5-year IRR: 14%

As of January 3, 2018



FIRST REPUBLIC BANK

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DISCLOSURES

Ensemble Capital Management, LLC is a Registered Investment Advisor with the U.S. Securities and Exchange Commission and only transacts business in states in which the firm and its principals have been properly registered or are exempt from registration.

The information expressed herein has been prepared for informational purposes only and does not constitute a recommendation or solicitation to buy or sell any particular security or investment advisory services which may be referenced herein.

Ensemble's Equity Growth strategy is intended to maximize the long term value of the underlying accounts. The strategy generally invests in U.S. common stocks, but from time to time the underlying accounts may hold cash and/or fixed income investments in an attempt to maximize capital gains. The strategy holds mostly large and medium capitalization stocks, although accounts may also hold small capitalization stocks.

Performance results for the Equity Growth Composite since the composite's inception on December 31, 1998, are unaudited and are subject to change. The Equity Growth Composite includes realized and unrealized gains and losses, the reinvestment of dividends and other earnings, and is net of management fees, brokerage transaction costs and other expenses. Taxes have not been deducted. Net of fee performance was calculated using actual management fees. The standard management fee for an Equity Growth account is 1.0% on an annual basis and typically deducted quarterly. In some cases, actual management fees incurred by clients are less than the standard management fee. Results are based on fee paying, fully discretionary, unconstrained accounts managed with an Equity Growth objective and include those Equity Growth accounts no longer with the firm. Accounts must initially exceed \$500,000 to be included in the composite. Accounts with assets below \$250,000 and accounts with objectives other than Equity Growth are excluded.

The comparative benchmark is the Standard and Poor's Index of 500 Stocks ("S&P 500"), an index of 500 large capitalization equities, generally considered a comprehensive indicator of market performance. The S&P 500 index includes realized and unrealized gains and losses, the reinvestment of dividends and other earnings and is not subject to fees and expenses. It is not possible to invest directly in an index. The holdings in the Equity Growth strategy may differ significantly from the securities that comprise the benchmark.

Unless otherwise stated, returns for periods exceeding 1 year are annualized.

Investing involves the risk of loss. Past performance does not guarantee or indicate future results. No representation is made that the performance shown is indicative of future performance. Future investments will be made under different economic and market conditions than those that prevailed during the historical periods described. The Firm has wide latitude to vary the Firm's activities and may not necessarily continue investing in the manner that generated the results presented in this presentation. The Firm may use a wide range of investment strategies and techniques and may change the mix of strategies and techniques at any time. The firm will attempt to moderate these risks, but there can be no assurances that the Firm's investment and trading activities will be successful or that investors will not suffer losses. Actual account performance is likely to differ from the composite performance shown for a variety of reasons, including but not limited to: differences in market conditions at the time of investment, account size, client-imposed investment restrictions, and market, economic and individual company considerations; the timing and frequency of investments; the deduction of taxes; tax considerations; and other factors.

Certain information expressed herein has been taken from third party sources, which we believe to be reliable but not guaranteed.