

# First Republic's Q1 earnings show it's still struggling while other regional banks are on the road to recovery

Article

**The news:** Though most US regional banks' deposits have stabilized after March's banking crisis, **First Republic Bank** is grasping at straws to stay alive, [per](#) Bloomberg.

**Worse than expected:** Nearly all of First Republic's Q1 results came in lower than analysts' already pessimistic expectations. After a brief earnings conference, First Republic executives declined to take any questions.

- Analysts estimated the bank would report roughly \$137 billion in deposits, but the actual number came in much lower, at \$104.5 billion. **The bank said it experienced over \$100 billion in withdrawals since December.**
- The bank saw **revenue fall 13% in Q1** and net interest income—which has been a boon for banks as interest rates continue to rise—drop 19%.
- Lower-than-expected operating costs allowed the bank to beat net income estimates, though the number was still down 33% to \$269 million.

As of Tuesday morning, the bank's stock price was [down](#) 29%, triggering a slide in some other regional banks' shares, like **PacWest**.

**Running out of options:** First Republic is taking major steps to stay alive, and says it's considering all options for its future. Many industry analysts expect the bank's struggles will continue through the end of the year, and that it may never fully recover.

- The bank plans to cut 20% to 25% of its staff, reduce its corporate office space, and nix nonessential projects.
- It will significantly cut executive pay, and has suspended its common dividend.
- First Republic will also restructure its loan portfolio by lowering outstanding balances and only originating loans that can be sold in the secondary market. It also said uninsured deposits will make up a smaller portion of total deposits.
- At Monday's earnings conference, bank executives said they are evaluating all strategic options for the future. [Previously](#), the bank said it was considering a complete sale, but the magnitude of the bank's unrealized losses makes it less than palatable for most buyers.

**The big takeaway:** Despite First Republic's dismal state, other US regional banks' Q1 earnings reports indicate that last month's crisis is mostly [behind them](#). Their deposits appear to have stabilized; some even reported deposit growth. But economic uncertainty and the threat of a

recession mean regional banks aren't totally in the clear. Deteriorating credit conditions could squeeze profits, and banks' exposure to commercial real estate could spell trouble as the work-from-home trend continues to prevail in post-pandemic life.

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