



Newsletter exclusively for the shareholders, clients, employees and followers of RepublicBankAz.

January 2017

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- Joel Gallon, Executive Vice President and
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- Amy Lou Blunt, Executive Vice President
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Stock Symbol: OTCBB:RBAZ

RALPH TAPSCOTT • President and Chief Executive Officer

2017 Outlook

We recognize that RepublicBankAz will only be as successful as our clients. That being said, the outlook for small to mid-size business is the best it has been in over a decade.

A recent PNC survey indicated that 71% of business owners surveyed feel optimistic about the economy, 51% expect sales to increase and 47% expect profits to increase. As a business bank, we are feeling that in our fourth quarter 2016 loan demand and deposit growth.

We have added talent to our team, and we expect loan growth in the low double digits. RepublicBankAz is in a perfect position to capitalize on the negativity surrounding the mega-banks and large corporations in general. Business owners and business-minded individuals do

not need a bank; they need an astute banker, and that is where we shine. Our commercial bankers average 30 years of experience in dealing with business owners.

As an Arizona-based business bank, our goal is to primarily invest in Arizona-based businesses. We ask for your support as we move into a new era. Deposits are every bit as important as loans. Your business truly matters to us, and we encourage you to experience the difference at RepublicBankAz. Thank you. ■



Ralph Tapscott

FINANCIAL HIGHLIGHTS

<i>(in thousands)</i>	YTD Sept. 2016	YTD Sept. 2015
Total Assets	\$ 89,998	\$ 85,111
Net Loans & Leases (excl. HFS)	\$ 60,156	\$ 71,797
Total Deposits (domestic and foreign)	\$ 73,999	\$ 72,456
Net Income (YTD)	\$ 587	\$ 348
<i>(Percentages)</i>		
Return on Average Assets	0.87%	0.54%
Liquidity Ratio	35.74%	20.40%
Leverage Ratio	15.02%	14.53%

The quarter ended September 30, 2016 has the Bank showing a few nice wins for the first nine months of the year. Assets have grown \$4.2 million or 5% since December 31, 2015. Total deposits have grown \$3.3 million or 4.8%, and we have

shed over \$7 million in deposits from other financial institutions. Investment securities have grown \$11 million significantly improving our liquidity. Shareholders equity has increased \$858,000 or 6.6%.

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JOEL GALLON • Executive Vice President, Chief Financial Officer

Focus on Cybersecurity

Edward Majerczyk, who hacked into the email accounts and iCloud accounts of as many as 100 celebrities, recently pleaded guilty.

The way Majerczyk managed to accomplish this hack was simple, but effective. He sent his intended victims “spear phishing” emails that appeared to come from Apple or Google security in which he merely requested his victims’ usernames and passwords, which they provided. This gave him access to their email accounts and iCloud accounts, from which he stole photos and videos.

There are a number of lessons to be learned from this crime about protecting your security.

It is important to never provide your usernames and passwords in response to emails and text messages unless you have absolutely confirmed the request is legitimate. If you have the slightest concern, all you need to do is contact the real company to find out if such a request was a scam or not.

Another technique is **dual-factor authentication where your password is only the starting point for accessing your account.** After you have input your password, the site you are attempting to

access will send a special one-time code to your smartphone for you to use to access your account.



Joel Gallon

We at Republic-BankAz use this type of system to verify users logging into our online banking platform from an unfamiliar system. They are prompted as to whether they wish to receive a call or text message to a phone number we have on file. Then, armed with their username, password, and the one-time security code we sent, they are allowed into online banking.

For the sake of convenience, many people take a tremendous risk by using the same password for all of their online accounts. If any place where they use a password is hacked and their password is stolen, the victim’s password could then be used by an identity thief to access multiple accounts, which may include online banking, Facebook, Twitter, a home security system, etc.

You should have unique and strong passwords for all your accounts. A strong password will contain capital letters, small letters and symbols. A good way to pick a strong password is to take an easily remembered phrase as your base password and then adapt it for each of your accounts. For instance, the phrase “RBAzistheBest” would work as your base password (but don’t use it!). Add a unique character and further customize it with a few more to distinguish each of your particular accounts. Thus, your Amazon account password could be “RBAzistheBest!!Ama.” This is a simple way to create easy-to-remember, unique passwords for all of your accounts.

I have found the free *SANS security OUCH! Monthly Newsletter* provides a lot of cybersecurity best practices that can be applied at home and work to more safely navigate the virtual world we live in today. **Visit securingthehuman.sans.org then select “Resources” then “OUCH! Newsletter” for all the back issues.**

A QUICK TIP **Secure your Internet connection.** Always protect your home wireless network with a password. When connecting to public Wi-Fi networks, be cautious about what information you are sending over it.

WHAT OUR CLIENTS SAY ABOUT US



Left to Right, Shahe and Lena Koulloukian. Larry Stangler, and Ralph Tapscott, RBAz

“Being a small business owner and operator for over 19 years my primary focus has always been to build a lasting relationship with my clients and that is the same treatment I receive from RepublicBankAz. Everyone at the bank is enthusiastic, responsive and attentive to my financial needs. Banking and buying local benefits all of us in the community.”

—Shahe Koulloukian, President, Mazvo, Inc.

AMY LOU BLUNT • Executive Vice President, Chief Credit Officer

Managing Working Capital

Working capital requires active management to keep the cash flowing and the profits growing.

Working capital is an industry standard for gauging efficiency, liquidity and the overall health of a company. Practically speaking, working capital management is the process of managing short-term assets (cash, inventory and receivables) and liabilities (payables and debt due within one year) so that a company has sufficient liquidity to run its operations smoothly on a daily, weekly, and monthly basis.

Liquidity is often tight in small businesses due to the scale of their operations. The majority of small businesses are not able to fund the operating cycle with account payables, so they rely on the cash generated internally, or cash injections from their owner. Effective working capital manage-

ment will allow a business to run efficiently and potentially free up some cash that could be used to pay down debt or invest in a profitable project.

Many businesses use a flexible revolving line of credit to augment their cash flow to cover timing differences. It's used in the short term when there is inventory to purchase and suppliers to pay, and repaid when cash comes in from the collection of receivables.

Have questions or are you considering a credit line? Contact me at 602.280.9402 or ablunt@republicaz.com.



Amy Lou Blunt

LARRY STANGLER • Vice President, SBA Banking Officer

Three Myths of SBA Lending

Working on the front lines with small and medium-sized businesses, I hear a lot of misconceptions about the Small Business Administration (SBA) lending process. Here are three of my favorites:

Myth #1 – I will have to deal with tons of paperwork and piles of red tape.

Yes, SBA-backed loan applications are more complex than direct bank loans, but your part of the process is the same. We handle the government paperwork and red tape for you.

Myth #2 – It's all the same program, so I can get an SBA loan anywhere.

First, the SBA application process is complicated, and at RepublicBankAz, we have the in-depth knowledge needed to expedite approvals and avoid complications. Second, the SBA offers many loans in addition to its popular 7(a) program, and we offer expert guidance in choosing the program that best suits your business. Finally, other banks can charge higher processing fees and interest rates. At RepublicBankAz, we have some of the

lowest fees in the marketplace and competitive rates that best suit the interests of our customers.

Myth #3 – It takes a long time for SBA loans to be approved and funded.

Once upon a time this was true, but not any more. Over the past several years, the SBA has become much more customer-service oriented. They have set up a web-based, online platform where all new loan applications are submitted and pre-screened electronically. What used to take weeks, now takes days. Once the SBA approves the loan, RepublicBankAz can expedite the funding process.

We will discuss additional myths in future editions. In the meantime, let's talk. Contact Larry Stangler at 602.280.9431 or lstangler@republicaz.com.



Larry Stangler

TOP 5 BUSINESS CHALLENGES OF 2017

A multi-part series on demographic shifts, technologies, regulations and laws changing the landscape for small business.

New Management Dynamics

As a result of a competitive hiring landscape, an increase in turnover rates, and advancements in employee management software, the dynamic between employees and managers is poised to shift dramatically in the coming year.

"We're beginning to create an always-on feedback environment so that employees can provide feedback, anonymous or not, on how well they like their workplace, their manager or their job, and HR can quickly diagnose those problems," says Bersin. "One of the offshoots of that is a lot of companies are telling me they're starting to evaluate managers based on feedback from employees. Managers used to give employees a performance appraisal, but now it's going in reverse."

SOURCE: Bersin by Deloitte, Nov. 12, 2015

FINANCIAL HIGHLIGHTS

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Bank earnings are typically measured by the Bank's return on assets (ROA). The first nine months of 2016 produced an ROA of .87%, surpassing 2015's first nine months ROA of .54%. We have done this through managing our expenses (\$200,000 less in 2016 vs 2015) and continuing to grow our earning asset base (\$3.1 million in earning asset growth since December 31, 2015).

Non-performing assets have fallen \$890,000 or 35% to a level that equates to 2.15% of total assets. The decline in the levels of non-performing assets is indicative of the strides we have made in bringing the Bank to a more safe and sound level of operations.

TEAM MEMBER PROFILES

Larry Stangler

VP, SBA Banking Officer

Over 20 years ago, Larry Stangler started putting together SBA 504 loans and discovered that he really enjoyed working with small business owners, finding solutions for their financing needs. The SBA process can seem complicated to borrowers, so an experienced loan officer can make the process much smoother.

“At RepublicBankAz, we are very personable with our customers and strive to make sure their needs are met,” he said.

Larry returned to RBaz in 2016 after a previous stint doing SBA lending here from 2012-2014. He has a bachelor’s degree in business finance from Arizona State University and enjoys spending time with his wife and three children, ski trips, and fishing.

Phil Meeks

Portfolio Manager

After a successful Navy career, Phil Meeks earned an economics degree from ASU and chose to focus on helping small businesses with their financing needs, and eventually landed at RepublicBankAz in September because he enjoys making an impact as a community banker.

“I like working with local business owners, learning about their businesses and helping them with their financial needs,” he said.

Life in the Navy gave Phil and his wife a taste for travel, so they take their two daughters on a couple of big trips each year. For five years, Phil has also served as a mentor in Big Brothers Big Sisters.

Cash Management and Deposit Services

RBaz provides deposit solutions to maximize the return on your business deposits with the Bank. In many cases, collective balances will pay for the majority of your cash management fees.

Online Banking Capabilities

- Transfer funds between accounts
- View bank statements
- Export to QuickBooks, Quicken, and MS Money.

ACH Processing Services

An electronic banking service used to collect payments and disburse funds via the ACH network.

Bankcard Merchant Service

A service that processes all forms of electronic payment transactions: credit, debit, electronic check, electronic funds transfer, and alternative payments.

Business Analysis Checking

A primary business checking account is the core of your cash management services with the bank.

Business Money Market

A limited access account generally pays higher interest rates than a checking account.

Business Courier Service

We can arrange a scheduled courier for your deposit and loan needs.

Remote Deposit Capture

A convenient and secure way to process your deposits directly from your business to the Bank.

Let us help your business.
Call us today.
602.277.2500

About RepublicBankAz

RepublicBankAz, N.A. is a locally owned community bank in Phoenix, Arizona. We are a full-service bank providing deposit and loan products, convenient online banking to individuals, businesses and professionals. For further information, please visit us at republicbankaz.com.

