

Celebrating
Our First

10
YEARS

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

March 2017

RALPH TAPSCOTT • President and Chief Executive Officer

Strategy for Success

Much has been accomplished for RepublicBankAz, N.A. to return to a safe and sound operation, and to gain the respect of our regulators.

Our asset quality is now among the best in Arizona, and our overall risk profile is not a concern. Notably, Bauer Financial recently awarded us a 5-Star ranking. We have a fantastic team and the capital to support a fairly aggressive growth trajectory, along with a positive economic environment to support that growth.

We have identified the keys to our success. They are fairly simple:

Grow quality loans — Third quarter and fourth quarter 2016 gross loan production was \$9 million and \$11 million, respectively. Our current loan pipeline is in excess of \$31 million.

Reflect modest SBA production — We have several loans in underwriting or in the application stage for SBA approval.

Improve our cost of funds — Over the past six months, we have now made an 11-basis-point improvement.

Reduce operating expenses — We have identified and implemented numerous initiatives designed to drive over \$100,000 to our bottom line. You can read about one of those initiatives in the article below. ■



Ralph Tapscott

Board of Directors:

Chad E. Cline, *Chairman*
Revenue Controller, Aspect Software
Bette F. DeGraw, Ph. D, Dean Emerita,
the College of Extended Education,
Arizona State University
Regina L.R. Edwards, Ph. D, CEO,
Arizona YWCA Metropolitan Phoenix
Camala C. Bailey, Founder and President,
Camala C. Bailey, CPA
Judy A. Lynn, Managing Member,
831 Investors, LLC
Alan L. Sparks, Owner and President,
Gemma Companies, LLC
Christian C.M. Beams, Managing Partner,
Fredenberg Beams LLC
Scarlett Spring, President, VisionGate 3D
Ralph Tapscott, President and CEO,
RepublicBankAz, NA.

Executive Leadership Team:

Ralph Tapscott, President and
Chief Executive Officer
Joel Gallon, Executive Vice President and
Chief Financial Officer
Amy Lou Blunt, Executive Vice President
and Chief Credit Officer

Transfer Agent

Computershare
P.O. Box 43070
Providence, RI 02940-3070
800.962.4284

Market Makers

Wedbush Securities, Inc.
Joey Warmenhoven
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5885 SW Meadows Rd Ste 350
Lake Oswego, OR 97035
(503) 922-4888

D.A. Davidson & Co.

Michael R. Natzic
mnatzic@dadco.com
PO Box 1688
Big Bear Lake, CA 92315
(800) 288-2811

Stock Symbol: OTCBB:RBAZ

Annual Meeting of Shareholders - Tuesday, May 9, 2017

Location: Better Business Bureau, 1010 E. Missouri Avenue, Phoenix 85014

We invite our valued owners to attend the Annual Meeting of Shareholders at 6 p.m. on Tuesday, May 9, 2017 at the BBB. Shareholders of record as of March 1, 2017 will be eligible to vote. On or around March 15, 2017 the official meeting notice and proxy statement will be mailed.

In addition to the election of Class III

directors, we will be asking you to support our conversion from a nationally chartered bank to an Arizona state chartered bank. The proxy will provide full disclosure as to why we deem this important, such as cost savings and other perceived benefits.

The Board of Directors has evaluated this proposal at great length and determined it will assist the Bank in achieving its strategic objectives while having no detrimental impact on overall operation or value of the Bank. ■



FINANCIAL HIGHLIGHTS

(in thousands)	YTD Dec. 2016	YTD Dec. 2015
Total Assets	\$ 86,667	\$ 85,724
Net Loans & Leases (excl. HFS)	\$ 60,330	\$ 64,240
Total Deposits (domestic and foreign)	\$ 71,337	\$ 70,616
Net Income (YTD)	\$ 676	\$ 626
(Percentages)		
Return on Average Assets	0.75%	0.72%
Liquidity Ratio	29.72%	23.72%
Leverage Ratio	15.19%	14.56%

JOEL GALLON • Executive Vice President, Chief Financial Officer

Year-end Financial Results

The year ended December 31, 2016 was an eventful year for RepublicBankAz, NA (RBaz) even though it is hard to see that in the Bank's year-end financials.

Assets ended the year up 1.1% as compared to the prior year end, deposits increased by 1.0%, and equity climbed by 1.8%. Net loans decreased by 6.1%, but the majority of the decrease occurred in the first three quarters of the year, while the bank remained subject to the formal agreement with our regulators that we had been working under for the past three years. In August 2016, that agreement was lifted, and we began to execute against a growth strategy.

During the final quarter of the year, loans grew \$1.9 million, which equates to an annualized growth rate of 13.16%. Net income and the resultant return on average assets (ROAA) were marginally better

than the prior year, and the ROAA percentage compares favorably to the average of the annual ROAA of banks headquartered in the state of Arizona. Nonperforming assets continued to fall through the final quarter and ended the year at 1.79% of assets — an improvement of 45.8% from the prior year end. Absent the additional burden of the formal agreement, 2017 strategies include continuing to build a safe and sound community bank that serves the needs of our local deposit base and expanding our lending efforts in our local community. ■



Joel Gallon

Celebration Ten Years



The dedicated and client-focused employees of RepublicBankAz

WHAT OUR CLIENTS SAY ABOUT US



Left to Right, Joe LaBrie, Jim LaBrie, Keith Comtois, and Ralph Tapscott, RBaz

“I switched from banking with an impersonal “big box, too-big-to-fail” institution and got a dramatically more personal and efficient experience from RepublicBankAz. I like keeping business and personal monies here in Arizona, and the service from RBaz has been exceptional!”

— Jim LaBrie, Owner, Bug and Weed Mart Stores

TOP 5 BUSINESS CHALLENGES OF 2017

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

Changing Employee Classifications

With the rise of remote, contingent, and freelance employees, 2017 will see a continuation of the ongoing struggle to properly classify those workers without risking legal repercussions.

“In recent years, both federal and state departments of labor have increasingly pursued employers who are misclassifying employees and attempting to call their employees independent contractors, when in fact they are employees, and should be entitled to the rights and benefits of employees,” says Zoller.

SOURCE: Bersin by Deloitte

of Our First of Service



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AMY LOU BLUNT • Executive Vice President, Chief Credit Officer

Defining Success. Achieving Balance.



Amy Lou Blunt

If you haven't defined success, how will you know you achieved it?

At a recent goal-setting seminar, we were asked seemingly simple questions, such as how well our income earned compared with our goals, followed by a self-assessment of personal and professional skills. To be honest, I am not one for the touchy-feely kind of seminar, but this exercise, taken seriously, was truly thought provoking.

Next, we analyzed the level of balance between personal and professional aspects of life, and then — armed with this self-knowledge — drafted goals for achieving our unique success stories. Useful goals are specific, and must include action items and a time frame for completion. Otherwise, they are simply daydreams. I left the class with a renewed sense of purpose and a plan for the near term.

This process is critical for individual growth, as well as to establish or revise a business plan. We should never be stagnant in our personal development, nor should we allow our businesses to simply run on their own daily momentum, without thought or guidance toward goals. As market conditions, the economy, and competitors impact your business, do you have the awareness, discipline and flexibility to adapt to new or modified strategies?

We all get caught up in our daily routines and work assignments, but do we look up to see the longer horizon? After all, if the car is in drive, you are going to go forward, but unless you are actually steering there is little chance you will arrive at your desired destination.

Questions? Contact me at 602.280.9402 or ablunt@republicaz.com.

RALPH TAPSCOTT • President and Chief Executive Officer

How do you value RepublicBankAz, N.A.?

I would expect our banking team would value the Bank as a good place to work. I would expect our clients to value our level of service and experience. Our shareholders value us in many different ways. Most know what they paid for their stock. Also, our book value per share was \$7.73 as of December 31, 2016. Some consider that another proxy for value.

We are one of only a few community banks in Arizona that trades on an exchange. This provides shareholders with added liquidity. We cannot directly move the stock value, but our performance and market perception do result in movement both favorable and unfavorable. Of late, the Bank's stock price performance has been enhanced.

At right is a six-month stock graph, ending February 9, 2017. The Bank's reduced risk profile and regulatory compliance have had some favorable impact, and the pro-business political environment has renewed interest in the financial sector.



RECENT BUSINESS LOANS

\$1,294,000

Commercial
Construction Loan
Lake Havasu City

\$835,000

Commercial Real
Estate – Land for
Development
NW Phoenix

\$568,000

Commercial
Real Estate –
Single Family
Flagstaff

\$936,000

Commercial
Real Estate –
Multifamily
Mesa

\$462,500

Business
Acquisition
W Phoenix

\$125,000

Equipment
Financing
Phoenix

\$1,600,000

Commercial
Real Estate –
Multifamily
Phoenix

\$240,000

Business
Acquisition
Fountain Hills

\$1,050,000

Working Capital
Line of Credit
Phoenix

To learn more about RepublicBankAz business financing contact, Ralph Tapscott, President and CEO, 602.277.2500, rtapscott@republicaz.com

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.

