



# RepublicNotes

Celebrating Our First Ten Years!

Newsletter exclusively for the shareholders, clients, employees and followers of Republic Bank of Arizona



## 4 YEARS, 5 STARS & \$100 MILLION

Ralph Tapscott • President and Chief Executive Officer

This month marks my four-year anniversary at Republic Bank of Arizona. We, and this is a true team effort, have accomplished a lot over the past four years. We have invested in the growth and development of our banking team.

We are now recognized as running a safe and sound bank and have achieved Bauer Rating Agency's five-star rating. We recently surpassed the \$100 million total asset threshold and will continue to execute towards our vision.

This is a milestone and not the end game. There is more we can do. In the interim, it appears the investor public is appreciative of these achievements, and is reflected in an approximate 60% increase in our stock price over the past four years.

### BE SURE TO VISIT US IN OUR NEW LOCATION

By the time you read this article, there is a strong chance you have already visited our new location. The move date to 645 E. Missouri Avenue is cited for March 19, 2018.

You will notice very bold and visible building signage. Inside you'll see a sleek and modern look that incorporates our new branding. We have a much larger board room, and this is made available for our clients to use. We expect to host numerous events in our new home and hope to see you more frequently.



We thank everyone who helped us make this dream a reality. The list is long, but a special thanks to Cresa, DWL Architects, Goodmans, Blue Fox, Walker Security, others, and especially the Republic Bank of Arizona team that contributed.



Ralph Tapscott

### Board Of Directors

- Chad E. Cline**, CFO, Symmetry Software
- Bette F. DeGraw**, Ph.D., Dean Emerita, College of Extended Education, Arizona State University
- Regina L.R. Edwards**, Ph.D., Chief Executive Officer, 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 Chief Executive Officer, RBAZ

### 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**  
joey.warmenhoven@wedbush.com  
5885 SW Meadows Rd., Ste. 350  
Lake Oswego, OR 97035  
503.922.4888

**D.A. Davidson & Co.**  
**Michael R. Natzic**  
mnatzic@dadco.com  
P.O. Box 1688  
Big Bear Lake, CA 92315  
800.288.2811

**Stock Symbol: OTCBB:RBAZ**

### FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD Dec 2017	YTD Dec 2016
Total Assets	\$ 122,923	\$ 86,667
Net Loans & Leases (excl. HFS)	\$ 59,887	\$ 62,081
Total Deposits (domestic and foreign)	\$ 108,489	\$ 71,337
Net Income	\$ 624	\$ 676
(Percentages)		
Return on Average Assets	0.66%	0.75%
Liquidity Ratio	56.83%	29.72%
Leverage Ratio	13.07%	15.19%

## SPOTLIGHT ON CUSTOMER HELDT LUMBER

### PRODUCT TRENDS CREATE OPPORTUNITIES

You may not think the lumber industry would be one of those industries that's experienced a lot of change over the years, right? But then, you would be wrong. No one knows that better than Frank Heldt, President of Heldt Lumber in Phoenix.

"Some of the core products have stayed the same," said Heldt. "A two-by-four is still a two-by-four, but many of the products we sell have changed since my father started the business 64 years ago. How the products are manufactured is different, how we take products to market has changed, even the customers we service are different."

Keeping pace with the innovations in the market as well as changing customer needs has been a key component of Heldt Lumber's longstanding success in Phoenix. But that's just part of the story.

### A FAMILY ATMOSPHERE

At the heart of Heldt Lumber's success is just that. It's a sincere appreciation for every customer who walks through the door, and for every employee who shares their knowledge and expertise to assist those customers.

"Our employees are like family," said Heldt. "Many worked for my father and now work for me. In fact, the last three employees who retired worked at Heldt Lumber over 100 years combined." That says

a lot about a company. Not only does it point to a vast amount of knowledge and expertise within the company, but it also shows a high degree of loyalty for the business.

"They take care of us, and we take care of them," said Heldt about his staff. "I feel very fortunate to have been able to maintain a family business for as long as we have."

### LOCAL BUSINESS PREFERS LOCAL BANKING

A local company, Heldt Lumber appreciates the value of working with a locally owned bank like Republic Bank of Arizona. "When you're a small business, it's hard to feel valued sometimes," Heldt said. "When we banked at a larger corporate bank, we sometimes felt like just a number. Banking at Republic Bank of Arizona, we have a sense that they understand who we are, what we do, and how we do it. I most appreciate the fact that it's a local bank and they make us feel very valued."

"I'm actually a customer of Heldt Lumber and I really appreciate the level of knowledge and expertise Frank's team demonstrates," said Ralph Tapscott, RBAZ CEO. "Heldt Lumber is a top-notch company that's dedicated to serving the local community, and is a perfect fit for Republic Bank of Arizona. We certainly look forward to serving their banking needs now, and for years to come."



Republic Bank of Arizona CEO Ralph Tapscott (left) with Heldt Lumber President Frank Heldt.

## REACHING OUT TO WOMEN ENTREPRENEURS

Amy Lou Blunt • Executive Vice President, Chief Credit Officer



Amy Lou Blunt

Republic Bank of Arizona is proud to announce a \$20 million commitment to financing women-owned businesses. There are certain realities women face in establishing and growing a successful enterprise, and I am here to tell you that, at Republic Bank of Arizona, your unique voice and your challenges will be heard, and, if there is a way for us to structure financing to help you achieve your goals, we will find it.

I am lucky to work among a dynamic group of professionals, both men and women, who have joined in our mission to support entrepreneurship, community development, and job growth. This is echoed by our Board of Directors, comprised of four men and five women with deep roots in our community, who also act as sound advisors, each having successful careers in their own right.

This initiative is two-fold: 1) Loans and lines of credit that qualify under this program will be eligible for very competitive pricing, and 2) RBAZ will make a donation, equal to .50% of each loan commitment amount funded under this program, to a non-profit organization whose primary objective is the advocacy of business and professional women. This could add up to as much as \$100,000!

For this initiative to have an impact, we need you – please reach out to us and share your business plan, successes to date and strategies for the future, and let us help you achieve your vision!

## CREATING A CYBERSECURE HOME

### PART 1

The following article is reprinted with permission from OUCH! newsletter, a monthly security awareness newsletter published by SANS Securing The Human

### OVERVIEW

Several years ago, creating a cybersecure home was simple; most homes consisted of nothing more than a wireless network and several computers. Today, technology has become far more complex and is integrated into every part of our lives, from mobile devices and gaming

consoles to your home thermostat and your refrigerator. Here are four simple steps for creating a cybersecure home.

### YOUR WIRELESS NETWORK

Almost every home network starts with a wireless (or Wi-Fi) network. This is what enables all your devices to connect to the Internet. Most home wireless networks are controlled by your Internet router or a separate, dedicated wireless access point. They both work the same way: by broadcasting wireless signals. The devices in your house can then connect via these signals. This means securing your wireless network is a key part of protecting your home. *(continued on page 4)*

## 2017 SEES SIGNIFICANT ASSET GROWTH

Joel Gallon • Executive Vice President, Chief Financial Officer



Joel Gallon

As we close 2017 and head into 2018, we reflect on the year that saw significant asset growth at Republic Bank of Arizona (RBAZ). In 2017, we grew assets more than \$36,000,000 or 41.8% from the prior year. Total deposit growth for the year ended December 31, 2017 was nearly \$37,152,000 or 52.1%. The remarkable growth was obtained as we divested ourselves of over \$11,200,000 or 49.8% of brokered and deposit listing service deposits, which banks consider “less desirable” than actual customer deposits.

We eclipsed the \$100,000,000 in assets mark in November, and earned \$624,000 in income for the year ended December 31, 2017. Although net income did fall from what RBAZ generated in 2016, that decline can be attributed to the December 22, 2017 tax reform measure. Most banks are in a positive deferred tax position, meaning they have recognized expenses per accounting rules that have not been allowed as expenses on the bank’s tax returns due to tax laws. These differences are accounted for as a deferred tax asset.

With the tax law change, the future benefit of those deferred expenses for tax is lower, because the future tax rate is lower than it was in 2017. Therefore RBAZ had to re-value its deferred position which caused a one-time charge to income tax expense of approximately \$268,000 in December 2017. The new, lower corporate top tier income tax rate of 21% will benefit RBAZ’s earnings moving forward, but it cost us 2017 earnings.

In the coming months, RBAZ looks forward to opening its new headquarters location at 645 E. Missouri Ave., Suite 108 as well as sharing positive earnings results in coming quarters.



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## ARIZONA BUSINESSES BANK WITH US

**\$2,316,000**

SBA 7(a)  
C-Store/Gas Station

*North Scottsdale*

**\$1,600,000**

CRE Term Loan  
Real Estate Investment

*Metro Phoenix*

**\$750,000**

CRE Term Loan  
Retail Strip Center

*Phoenix*

**\$238,500**

CRE Term Loan  
Law Office

*Chandler*

**To learn more about RBAZ business financing,  
contact President and Chief Executive Officer  
RALPH TAPSCOTT, 602.277.2500 or  
rtapscott@republicaz.com.**

## CYBERSECURE HOME *(continued from page 3)*

We recommend the following steps to secure it:

Change the default administrator password to your Internet router or wireless access point. (Whichever one is controlling your wireless network.) The admin account is what allows you to configure the settings for your wireless network.

Ensure that only people you trust can connect to your wireless network. Do this by enabling strong security. Currently, the best option is to use the security mechanism called WPA2. By enabling this, a password is required for people to connect to your home network, and once connected, their online activities are encrypted.

Ensure the password used to connect to your wireless network is strong and that it is different from the admin password. Remember, you only need to enter the password once for each of your devices, as they store and remember the password.

Many wireless networks support what is called a Guest Network. This allows visitors to connect to the Internet, but protects your home network, as they cannot connect to any of the other devices on your home network. If you add a guest network, be sure to enable WPA2 and a unique password for the network.

Not sure how to do these steps? Ask your Internet Service Provider or check their website, check the documentation that came with your Internet router or wireless access point, or refer to their respective website.