



RepublicNotes

SHOP LOCAL. DINE LOCAL. BANK LOCAL.

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

THE RIGHT THING TO DO

Ralph Tapscott • President and Chief Executive Officer

As I think about the holiday season and reflect on the year, I am honored that a couple of our corporate values are “Support Our Community” and “Do The Right Thing”. A mentor early in my career, Larry Willard, instilled the following in me: “Your quality of life and the quality of your company will only be as healthy as your local economy, and it is up to you and your team to make a positive difference.”

I am proud of the Republic Bank of Arizona team and the difference this small but mighty team is making. There are a number of organizations we support with both our funds and our talent, and I know we are making a positive contribution.

Almost simultaneously, we wrapped up our St. Mary’s Food Drive and our United Way campaign. Many other activities preceded these events, and many more will follow. In the most recent quarter we formed our “Culture Club”, and one of its primary focuses is finding ways to make a positive impact, while enhancing our internal culture.

This broad community has been supportive of our vision and we will continue to do our part. It is not only a core value, it is the right thing to do. Looking forward to an exciting 2019.



Ralph Tapscott

STRONG LOAN GROWTH HIGHLIGHTS THIRD QUARTER

Brian Ruisinger • Executive Vice President, Chief Financial Officer



Brian Ruisinger

The quarter ended September 30, 2018 reflected an increase of \$3,800,000 to \$68,500,000 a 5.8% increase compared to the quarter ended September 30, 2017, as loan production continues to track to our projected budget through nine months.

We ended the quarter with \$111.7 million in total assets, a 23% increase over the same period last year.

Net earnings were \$172,000, or \$0.10 per share, for the quarter ended September 30, 2018 and \$781,000, or \$0.46 per share for the nine months ended September 30, 2018 as compared to a net income of \$269,000, or \$0.16 per share, for the quarter ended September 30, 2017 and \$409,000 or \$0.24 per share for the nine months ended September 30, 2017.

Total interest income of \$1,311,000 for the quarter ended September 30, 2018 exceeded total interest income of \$1,072,000 for the same period of the prior year, and represents an increase of 22.2%.

Total deposits of \$96,485,000 are down \$5,100,000 in the third quarter, as our largest depositor decreased their balances for some large routine expenditures.

Our stock price continues to perform having closed the third quarter at \$9.30.

FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD Sep 2018	YTD Sep 2017
Total Assets	\$ 111,689	\$ 87,882
Net Loans & Leases (excl. HFS)	\$ 68,512	\$ 62,391
Total Deposits (domestic and foreign)	\$ 96,463	\$ 73,483
Net Income	\$ 781	\$ 409
(Percentages)		
Return on Average Assets	0.90%	0.61%
Liquidity Ratio	42.47%	31.73%
Leverage Ratio	13.10%	15.90%

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SPOTLIGHT ON EXODYNE CEO RALPH ROCKOW

FROM FARM BOY TO SPACE MAN

Growing up on a farm, Ralph Rockow had no idea his knack for repairing farm equipment would give him the basic skills to later help send astronauts to the moon and back. A Republic Bank of Arizona customer and founding shareholder, Ralph has a rich professional career that includes several historic innovations.

“Living on a farm, we had to learn to fix things because we couldn’t afford to buy new equipment every time something broke,” explains Ralph. “One of my first real jobs was working in an upholstery shop with my dad. He had me working on the backs of chairs, where it became clear that I needed another career.”

That upbringing led Ralph to enroll in a dual mechanical engineering program at Ohio State University, where he completed a master’s and undergraduate degree at the same time. “I graduated with a master’s and bachelor’s degree on the same day,” says Ralph, now CEO of Exodyne, Inc., a company he formed in 1982.

LANDING THE FIRST MAN ON THE MOON

After graduation, Ralph joined TRW, where his talent for innovation flourished. One such innovation included the descent engine that allowed astronauts Neil Armstrong and Buzz Aldrin to land safely on the moon for the first time. That same engine design was used for five other successful lunar landings.

The descent engine not only put the first man on the moon but also was instrumental in the safe return of Apollo 13’s astronauts following the explosion of an oxygen tank two days after liftoff. It was the mission known for the infamous line, “Houston, we have a problem.”

During Ralph’s tenure at TRW, he also worked on developing the Minute Man Missile, which was considered the number one weapon in the defense of the United States and remains an iconic peacekeeping weapon today.

SAVING LIVES EVERY DAY

While we all like to think our work makes an impact, Ralph’s innovations have literally saved thousands of lives. Leaving TRW, Ralph joined Talley Industries, where he had direct control over 10 of its companies. One of those companies, Dynamic Science, Inc. (DSI), was instrumental in finding ways to make cars and trucks safer.

Ralph is especially proud of the company’s testing and evaluation of air bag systems under his leadership. In fact, he testified with Ralph Nader before Congress on the importance of using air bags in cars. Since then, air bags have saved thousands of lives.

During the Vietnam War, DSI saw a need to develop a helicopter fuel system that eliminated post-crash fires. The company engineered a crashworthy fuel system that saved countless lives back then, and is still being used today.



Exodyne CEO Ralph Rockow (right) with RBAZ CEO Ralph Tapscott at the DSI crash-safety testing facility in Phoenix.

MAY THE EXTERNAL FORCE BE WITH YOU

In 1982, Ralph’s entrepreneurial spirit took hold, and he formed Exodyne, Inc. According to Ralph, the name Exodyne was derived from two words—exo for “external” and dyne, a measurement of force—to mean “external force.” Under his corporation, Ralph oversees the operations of three wholly-owned subsidiaries, including DSI.

His new Phoenix-based company then purchased DSI, which continues to build an impressive list of customers and contracts. Under the Exodyne umbrella, DSI built a two-mile track in Phoenix to conduct extensive crash studies to continually develop safer systems. The testing site has been a key factor in creating state-of-the-art safety features for vehicles.

LEARNING THE MECHANICS OF BANKING

Because managing three subsidiaries didn’t keep him busy enough, Ralph became a founding shareholder and customer of Republic Bank of Arizona. “I’ve always been interested in how banking works,” says Ralph. Although he has never missed a shareholders’ meeting, he leaves the business of banking to the experts. “I’ve watched the bank grow and develop over the years, and I am impressed with the progress it has made, becoming a highly rated, financially sound institution focused on supporting local businesses and the local community,” says Ralph.

“Ralph is an amazing individual, with an amazing story,” says RBAZ CEO Ralph Tapscott. “What he has accomplished in his lifetime is truly inspirational, and we are so grateful to know him and have the opportunity to support his financial needs as a customer of ours. We also appreciate the ability to tap into his extensive knowledge and business expertise as one of our valued shareholders.”

5 ALARMING REASONS TO “UNSETTLE” YOURSELF

Amy Lou Blunt • Executive Vice President, Chief Credit Officer

We recently created an internal group called The Culture Club, a team of six staff members to help formalize and organize our community outreach efforts. While I lead this team of five “go-getters”, they are the catalyst to encourage participation, inspiration, and collaboration to reach our clearly outlined goals and objectives.



Amy Lou Blunt

One of these objectives is to empower employees through wellness by encouraging healthful behaviors. It is surprising how unhealthy sitting at a desk can be. That said, The Culture Club provided some impetus for staff members to stand up and move during their workday.

UNSETTLING EFFECTS OF SITTING TOO MUCH

- 1 Anxiety and depression** – People sitting more than six hours a day show more symptoms of anxiety than those sitting for less than three hours per day. Sitting reduces circulation and the ability for “feel good hormones” to make their way to receptors.
- 2 Slower brain function and dementia** – Research has linked more sitting and less activity with an increased risk of developing dementia. Good blood flow to muscles, including the brain, makes the body and mind function better.
- 3 Diabetes** – Cells in muscles that have not been moving do not respond well to insulin. The result is the pancreas making more and more, leading to diabetes. There is a direct link between every extra 60 minutes people spend sitting and diabetes. One extra hour of sitting per day is enough to increase your chance of developing Type II diabetes by 22 percent.
- 4 Increased risk of cancer** – Sitting for long periods of time increases your risk for colon, endometrial, and lung cancer by 66 percent, based on a study of more than 4 million individuals. Even with physically active individuals, sitting increased the risk, and the risk worsened with each two-hour increase in sitting time.
- 5 Premature aging and premature death** – Sitting too much has been linked to metabolic syndrome and high blood pressure. People who sat and watched an average of six hours of TV per day lived an average 4.8 years fewer than those who did not. Every hour of TV that participants watched after age 25 was associated with a 22-minute reduction in life expectancy.

So, “unsettle” yourself regularly, get up and walk around a bit throughout each day. You will extend your life and improve its quality.

DRIVE YIELDS OVER 700 MEALS



This year’s St. Mary’s Food Drive was a can-tastic success. Shown here is the “Road to Bountiful,” one of two structures built from the donated items.

The competition was fierce. The creativity was phenomenal. And the participation outstanding.

It’s official ... the Bank’s 2018 St. Mary’s Food Drive was a can-tastic success!

This year’s annual event featured bake sales, potlucks, game day fun, family meal competitions, mystery food days, and the final event, the Can-struction competition. The events helped keep the (food) drive alive and resulted in six food drive boxes over-flowing with much-needed food items for families in need throughout the community.

Here’s how the events played out:

Bake Sales & Cake Walks – RBAZ staff baked up a storm and donated scrumptious treats to sell during the day and use for a cake walk. The entry fee to participate in the cake walk was, of course, donated food items. What a delectable idea!

Game Day Fun – You could feel the competition in the air as staff members challenged each other to Scrabble, Jenga, checkers, Backgammon and more ... but it was all in good fun. And you had to pay to play in the form of food drive can-tributions.

Mystery Food Days – Each Tuesday, team leads would select one item from the list of most-needed foods as the “mystery” item. Whoever brought that particular item in that day won a prize.

Family Meal Competition – Keeping the needs of the families in mind, the two food bank teams were challenged to present a themed meal from appetizers to dessert using the donated food items. The presentations were judged and the winning team won a prize for their Italian-themed meal.

Can-struction Competition – The final event was a highly creative, fiercely competitive challenge to build a structure using donated food items. The two structures featured The Bridge to End Hunger and The Road to Bountiful. The two creative structures were judged and the winning team won a fabulous prize.

In the end, the Bank’s donations totaled 930 pounds! That’s enough to provide 775 meals for hungry and food insecure Arizona families.

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