



RepublicNotes

Celebrating Our First Ten Years!

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

RBAZ | **Republic Bank**
of Arizona

CELEBRATING A POSITIVE TREND

Ralph Tapscott • President and Chief Executive Officer

I like to think we recently ended the third quarter, but the fourth quarter is now well under way. We're experiencing some strong growth, and you'll see this in our fourth quarter results. We are fairly pleased with the third quarter results, and especially the trend line when we link quarters. We know there is a lot more we can do.

Our continued focus is on building the best possible team of bankers and growing customer relationships, which will result in favorable earnings performance. During our recent board and management planning meetings, we renewed our commitment to identify opportunities and tactics for improved operating performance.

Our ability to differentiate ourselves with our people, delivery and service allows us to continually find business owners who value a quality banking relationship and want something more than they are currently getting. And that's what brings them to Republic Bank of Arizona.

NEW NAME AND NEW LOCATION

I'm pleased to report that we have received favorable comments on both our name change and our steadfast support for the state of Arizona. Our website is in process of rebranding and refreshing, and the sign is being manufactured for our new office location.

There seems to be a great deal of enthusiasm about the pending move to 645 E. Missouri Avenue. We meet regularly with our architect and contractor. We had expected a move-in date of April 2, 2018, but the current trajectory may have us moving a full month early.

The new location will provide us visibility at least five-fold of what we currently have. I know you'll be pleased at our new headquarters location, and we'll look forward to seeing you at our grand opening event.



Ralph Tapscott



Board Of Directors

Chad E. Cline, Chairman, Associate, Pursuit Advisory Group

Bette F. DeGraw, Ph.D, Dean Emerita, College of Extended Education, Arizona State University

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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

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FINANCIAL HIGHLIGHTS

(in thousands)	YTD Sept 2017	YTD Sept 2016
Total Assets	\$ 87,882	\$ 89,998
Net Loans & Leases (excl. HFS)	\$ 62,391	\$ 60,155
Total Deposits (domestic and foreign)	\$ 73,526	\$ 73,999
Net Income	\$ 269,000	\$ 381,000
(Percentages)		
Return on Average Assets	0.61%	0.87%
Liquidity Ratio	31.73%	35.74%
Leverage Ratio	15.90%	15.02%

SPOTLIGHT ON CUSTOMER AARON KLUSMAN

INSPIRING GOOD IS DRIVING FORCE BEHIND AK PROJECTS

If you Google Aaron Klusman, the results just might make your head spin. His list of accomplishments, business successes, and community advocacy initiatives is more than impressive. It's awe-inspiring.

Klusman's business enterprises are so varied, it's almost difficult to give him an appropriate title. Entrepreneur, real estate developer, investor, education advocate, he's all of this and more. But there is one commonality to all of his endeavors ... they are all collaborative enterprises that inspire a common good.

Republic Bank of Arizona has the honor of financing one of his latest ventures, currently dubbed Campbell Commons and destined to be a neighborhood gathering place located at 32nd Street and Campbell.

"I think this project most represents my uniqueness with the creative stacking of unique businesses," says Klusman. The space will house local favorites including the Original ChopShop, Provision Coffee & Roasting, Chloe's Corner Market and Sugar Rush Bakery, along with Tuck & Tailor, which is Klusman's venture capital office.

FOR THE GOOD OF THE NEIGHBORHOOD

"Of all the developments I've done, I think this is the one I love the most and the one I'm most passionate about. It's well positioned for the community and the neighborhood is really excited about it," said

Klusman. Neighborhood acceptance and enhancement is important to Klusman, a Phoenix native who now lives in the Arcadia neighborhood with his wife and four boys. "I try to be someone who adds value wherever I can."

This brand of thinking is a perfect fit with Republic Bank of Arizona, which advocates for local businesses. RBAZ Banker Carlos Molina has developed a strong working relationship with Klusman, having financed several of his projects.

A TRUSTED PARTNER

"I've worked with Carlos for a number of years and on several different projects," said Klusman. "Anytime you get a group of people that believe in your abilities and have confidence in what you're doing, it's a big asset. The trust factor is big and works both ways with them willing to work with me, and my comfort level with Republic Bank of Arizona. I know I can trust them to do right by me."

"Aaron is one of those unique individuals who has enjoyed a lot of success in his career, yet grounded and true to his values," said Molina. "I'm proud to know him and have the opportunity to play a role in bringing his creative visions to life through our financing efforts. I know Aaron will continue to do great things for Phoenix, and I look forward to being a part of his ongoing efforts."



RBAZ customer Aaron Klusman, left, visits with RBAZ Commercial Lending Officer Carlos Molina and CEO Ralph Tapscott outside his development project at 32nd Street and Campbell in Phoenix. Klusman hopes the project will become a gathering place for neighbors once completed.

CHOOSING THE RIGHT FINANCING OPTION FOR YOUR BUSINESS

Amy Lou Blunt • Executive Vice President, Chief Credit Officer



Amy Lou Blunt

Last quarter, we talked about identifying your business' cash cycle and borrowing needs, and when taking on debt may be the answer. The advantages to debt financing include a set repayment schedule of the amount borrowed plus interest, and no change to the ownership structure of your company. Once the loan is repaid, your collateral is released and you have no further commitment. But what if the answer is equity?

Equity financing provided by an angel investor or venture capital fund (think "Shark Tank") carries no scheduled monthly payments, and provides extra working capital that can be used to grow and market your business. An advantage is that the investor takes the risk ... you will

be granting an ownership interest in your company, and a voice in the decision-making process. Profits will be shared, and, should you want to disengage, buying out an investor can be expensive, typically costing a great deal more than the original investment.

A FINAL THOUGHT

Remember, the equity you have in your company is not only your initial investment, but also includes retained earnings from profitable years of operations. You could potentially create additional equity and free up funds for growth internally, through expense reduction and by minimizing the level of owner distributions to simply cover the income tax obligation. That level of discipline could quickly bolster the capitalization of your company, providing the foundation for growth, either type of financing, and ultimately reward you many times over!

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DEPOSIT ACCOUNT GROWTH HIGHLIGHTS QUARTERLY RESULTS

Joel Gallon • Executive Vice President, Chief Financial Officer



Joel Gallon

Total deposit growth for the first nine months of 2017 has been \$2,172,000 or 3%, but that is only telling half of the story of how our deposit growing efforts in 2017 have been successful. Our deposit gathering goal for the year has been to increase customer checking deposits (a bank's most valued account type), and these accounts have grown \$6,500,000 or 82% during the same time frame.



This is important to us for multiple reasons, but the most important is that checking depositors are using our debit cards, writing checks, and using online banking, as well as telling friends and family about the outstanding service they are receiving from Republic Bank of Arizona. Consequently, their friends and family are opening accounts, using our services and in turn, telling their friends and family. And so on, and so on, and so on (as the commercial used to say).

On the lending front, Republic Bank of Arizona grew its lending portfolio nearly \$4,200,000 or 7.2% during the third quarter of 2017 ending with more than \$62,000,000 in outstanding loans. Our loan offerings serve a full range of business needs from equipment loans, to commercial real estate or business lines of credit, to loans partnering with the Small Business Association. Our dedicated lending staff is out in the local community providing capital for expansion for a variety of businesses.

Overall we are pleased with the financial results we generated during 2017. Growth in both deposits and loans leads to positive operating results. To date we have generated \$409,000 in after tax profits year to date in 2017, which equates to \$.24 as earnings per share, and we expect to continue to build on the positive momentum we have experienced so far throughout the remainder of 2017 and into the future.

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US POSTAGE
PAID
PERMIT 201
PHOENIX AZ

ARIZONA BUSINESSES BANK WITH US

\$1,400,000

CRE Term Loan
Retail Strip Center
Phoenix

\$450,000

CRE Term Loan
Restaurant
Glendale

\$800,000

Construction
Duplex
Prescott

\$2,210,000

SBA 7(a)
Preschool Construction
Laveen

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

ONLINE BANKING GETS A NEW LOOK

When customers log on to our Online Banking site, they will be greeted with a new, updated look and enhanced features as a result of a recent conversion to a new platform. The site reflects the Bank's new name and branding, and features a more streamlined look and feel.

So far, the change has received positive feedback from customers, says Joel Gallon, the Bank's chief financial officer. Not to say there weren't a few hiccups along the way, but overall, the conversion was a success and customers are enjoying the enhanced features the new platform offers.

"Overall, I like it better," said Online Banking customer Beth Riley. "It has more information than the previous system. For example, it lists your ACH history which is really helpful. The old system didn't." eStatements will also offer an expanded history, according to Gallon. "In the past, customers only had access to the previous three statements," Gallon explained. "The new system will provide 18 months of history, but that will build over time and will be a rolling 18 months."

While updating the look and providing a better user experience is important, the main objective of the conversion was to implement greater security features and position the Bank to offer customers future enhancements and capabilities, keeping pace with new technologies that make banking more convenient for customers.