

RepublicNotes

SHOP LOCAL. DINE LOCAL. BANK LOCAL.

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

RBAZ | **Republic Bank**
of Arizona

THE FINAL STRETCH

Ralph Tapscott • President and Chief Executive Officer

I am hopeful you have had the opportunity to see our second quarter 2018 operating results, and we are now heading for the fourth quarter of 2018. Republic Bank of Arizona has had a fairly robust succession plan for many years. We exercised the plan this past quarter when we thanked Chad Cline for his many years as Chairman of the Board and welcomed Alan Sparks as the Bank's new Chairman.

We also recruited a new Executive Vice President and Chief Financial Officer, Brian Ruisinger, to fill the position of Joel Gallon as he went on to pursue other professional passions. You can read more about Alan and Brian on our website at republicbankaz.com.

We expect the third and fourth quarters will provide similar results to that of the first half of the year. Loan growth and quality are both quite favorable. We continue to work on attracting low-cost funding from relationship accounts, and we watch our expenses closely. For those of you that have not worked directly with us in a while, you will be amazed by our team and our new location. Our banking team is top notch, and that is our primary differentiating factor.

PLANNING FOR SUCCESS

I have found that the best operating companies I have worked with or worked at have a solid foundation on strategic planning. Not just the document, but also the process. Unfortunately, less than 25% of the companies we deal with have a current and formal plan. As we roll from the third quarter into the fourth quarter, this is typically the time of year that we do our most in-depth planning.

Republic Bank of Arizona has a fairly detailed Strategic Business and Marketing Plan. It is thoroughly discussed, modified and updated once a year, and period updates and tactical plans are added throughout the year. The general direction and strategy is set by the board, but our bankers then get involved with further influence and contribute tactics that assure success.

The Bank's plan has a keen one year scope, but it also elaborates into a three to five year broader expectation. Within the plan, we identify and set our key performance indicators. This is then thoroughly validated through modeling and budgeting.

We wish each of you success in your strategic planning, and we are glad to share any ideas we have with you.



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
- Brian Ruisinger**, Executive Vice President and Chief Financial Officer
- Amy Lou Blunt**, Executive Vice President and Chief Credit Officer

Transfer Agent

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

Market Makers

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Michael R. Natzic
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FIG Partners
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503.922.4888

Stock Symbol: OTCBB:RBAZ

FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD June 2018	YTD June 2017
Total Assets	\$ 116,635	\$ 95,738
Net Loans & Leases (excl. HFS)	\$ 64,730	\$ 58,200
Total Deposits (domestic and foreign)	\$ 101,624	\$ 81,652
Net Income	\$ 609	\$ 140
(Percentages)		
Return on Average Assets	1.05%	0.31%
Liquidity Ratio	48.95%	43.80%
Leverage Ratio	12.93%	15.22%

SPOTLIGHT ON SONORAN PLUMBING SUPPLY



Sonoran Plumbing Supply management team and RBAZ Banker Todd Grady

WIFE'S ADVICE CATALYST FOR COMPANY'S REMARKABLE SUCCESS

Having achieved remarkable success in less than two years in business, Sonoran Plumbing Supply owner Jon Perkins is happy ... really happy, thanks to some prodding from his concerned wife and a lot of support from family and friends.

"After 29 years working at a national wholesaler, I realized it just wasn't about people anymore," said Jon. That didn't sit well with him. His wife, who he affectionately refers to as "Mrs. Perkins," took notice and encouraged him to make a change. "I want you to be happy," she said to him.

In February of 2016, Jon and his son Jonathan opened their plumbing supply store with a card table, two chairs, a pad of paper, and support from suppliers who offered him extended terms. Then it happened — a friend from the past placed a very large order and paid for it up-front. "And, a certain university promised to make us their preferred vendor within the first two weeks we opened," exclaimed Jon.

FAMILY & PHILOSOPHY KEYS TO SUCCESS

Jon's two sons, Jonathan and Chris, and nephew Joey Shurtz make up the management team, each bringing varied skills to the company. Jonathan handles product development and manages the sales team. Joey takes care of the financials and purchasing needs. Chris, the warehouse manager, conducts all new-hire training and is truly essential to the company's large Spanish-speaking customer base as he is fluent in Spanish.

Jon and his team have found that local customers want to buy from a family-owned, local supply house offering personal service and quality products at a fair price. In return, Jon chooses to work with secondary and local vendors in lieu of national companies. "This creates a strong loyalty between us and them, while giving us an excellent pricing

advantage in our market," said Jon. Word about Sonoran Plumbing Supply's philosophy and business ethics spread rapidly throughout the local industry, doubling sales from 2016 to 2017.

Passionate about giving back, Jon makes sure his employees benefit from this uncanny success by offering full benefits and lots of paid time off. The company closes for a week between Christmas and New Year's, and over the July 4th Holiday. "I believe in treating people with dignity and respect, while having fun," said Jon. Just one visit to Sonoran Plumbing Supply will confirm this philosophy is lived day in and day out.

WHAT HE LEARNED

His success didn't come without long hours, hard work, and a lot of support. In the spirit of giving to others, Jon offers this advice to entrepreneurs looking to start a business:

1. **BE CONFIDENT.** Believe in yourself and know where your support is coming from. If you don't have the confidence you need to take the risk, seek advice.
2. **GET FINANCES IN ORDER.** Know your expenses up-front and factor that into your expected income.
3. **IDENTIFY YOUR CUSTOMER BASE.** Know which customers are willing to do business with you and offer them something unique that they won't get anywhere else. Always stay focused on your customers.
4. **STAY NIMBLE.** Be open to diversification and be ready to move when the economy shifts.
5. **COPY SUCCESS.** Find what works and duplicate it. Change what's not working.

SUPPORT FROM RBAZ

Jon has been working with Republic Bank of Arizona Banker Todd Grady for several years. "Todd's been very supportive of our business," he said. "I believe Republic Bank of Arizona is genuinely focused on helping local businesses be successful, and that's great for us."

“ I know I can count on Todd and his team to look out for us, and do what is in our best interest as a company.” ”

"Jon took a big risk leaving his previous job to start Sonoran Plumbing Supply, but he and his team have experienced great success in just a short period of time," said Todd, RBAZ portfolio manager. "They are a fun group and definitely positioned for even more success in the future. I look forward to working with them to help their business grow."

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SONORAN PLUMBING SUPPLY – COMPANY HIGHLIGHTS

- Named Grand Canyon University's Preferred Vendor within first three months in business
- Doubled sales from 2016 to 2017
- Became a Moen faucet distributor within the first year of operating a new supply house, which is thought to be "unheard of" in the industry
- Landed a contract from the Asian American Hotel Association to outfit five hotels "from top to bottom"
- Will soon introduce a new product to engineering firms that no one is currently using



Brian Ruisinger

STRONG LOAN GROWTH HIGHLIGHTS SECOND QUARTER EARNINGS

Brian Ruisinger • Executive Vice President, Chief Financial Officer

The second quarter of 2018 featured our staff settling in to our new location at 645 E. Missouri Ave., Suite 108 for its first full quarter. The office is beautiful and we invite you to come visit us. Underground (shaded) parking is available to all visitors.

The quarter ended June 30, 2018 reflected \$6 million in loan growth or 10.3% and \$2.6 million in deposit growth or 2.6%. Our loan growth is a welcome outcome as the Arizona economy continues to show strength outpacing the national average.

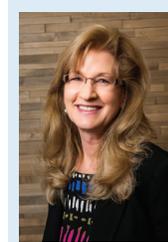
We ended the quarter with over \$116 million in assets, and earned \$479,000 in income for the three month period. Net income for the year to date is \$609,000 as compared to \$140,000 for the same six-month period in 2017 as we continued our positive earnings trend. This performance equates to a return on average assets of 1.05%, which results in an improvement of three times over the level seen in the same period of 2017. Halfway through the current quarter, we look forward to sharing additional good news to come.

Earnings per share for the quarter ended June 30, 2018 were \$0.28 and \$0.36 for the six-month period. Our stock price continues to perform having closed the second quarter at \$8.61 and closed August 23, 2018 at \$9.35 in the six weeks since.

Our new modern and spacious setting contains multiple conference areas that we have shared with clients, business associates, and local groups. To reserve a room for your business meeting, please contact one of our associates.

3 TOP QUESTIONS TO ASK YOUR BANKER

Amy Lou Blunt • Executive Vice President, Chief Credit Officer



Amy Lou Blunt

In the early days of establishing your banking relationship, there are important questions to ask your banker directly, or gather from independent resources:

1 Who will be my point of contact? Will they be available?

It is essential to have an advocate at your bank, someone you can meet with regularly, at your office and at the bank, who has the depth and breadth of experience to understand your industry and is willing to commit the time to you and your needs. The relationship should not stop there. Can/ will your banker connect you with the local business circle, which in turn opens leads to customers and other professional services?

2 What is the lending process?

Make sure that the initial stage of the process includes the opportunity for you to sit down with your banker to discuss why you believe you need financing and be ready to identify the stages of your operations, such as when cash flows in and when it is paid out, your growth plans, or equipment purchase plans.

Your banker should be able to propose options for your specific need, rather than a one-size-fits-all solution. Is your company's size and/or the amount of your loan request within the typical range for the Bank, or will it be an extraordinary request? You will want to know if the approval decisions are made locally, and what is the anticipated timeline from application to approval.

And finally, although no less significant –

3 Is the bank's financial condition strong and stable?

Of course, you will want to know if the bank is FDIC-insured. That should be a given. But, how well-capitalized is it? You can certainly ask, and should receive a direct answer. That information is also available to the public via Call Reports that are filed quarterly. The level of non-current loans as a percentage of total loans can also be a key indicator. You will want this to be a very low number. There are also industry ratings available, such as the Bauer's 5-star rating system, which takes a number of these factors into account prior to assigning a rating. In this case, the higher number the better.

In the end, open communication is key to a successful banking relationship. You should feel comfortable and confident asking any question that is important to you, to know you have found the right fit for your banking needs!

ARIZONA BUSINESSES BANK WITH US

\$2,120,000

Short Term Loan
Land Development
Loop 303 Corridor

\$925,000

CRE Term Loan
Automotive Services
North Phoenix

\$325,000

Equipment Lease
Water Filtration System
Scottsdale

\$750,000/\$150,000

Term Loan and RLC
Restaurant
Phoenix

\$1,920,000

Term Loan
Entertainment Venue
Scottsdale

\$892,000

CRE Term Loan
Mobile Home Park
Sedona/Cottonwood

To learn more, contact:

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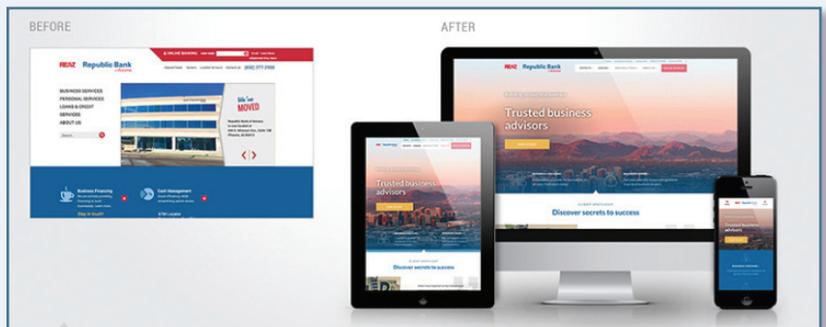
WEBSITE REDESIGN COMPLETE

Sue Thomas • Marketing Manager

I read recently that businesses should redesign their websites every few years. It was a bit longer for Republic Bank of Arizona to accomplish this. But we did it! Our new site launched in June.

It was a great opportunity to update our website in step with our new name, new brand, and new location.

And we learned a few things along the way that could help you before you tackle your next website redesign. Just visit the News & Events section of our new website at republicbankaz.com to read our tips on how to simplify the website redesign process.



Now more mobile friendly, check out our new, refreshed website design at republicbankaz.com