



RepublicNotes

SHOP LOCAL. DINE LOCAL. BANK LOCAL.

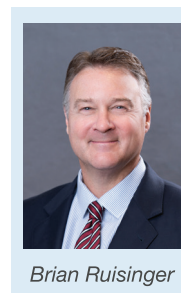
Newsletter exclusively for the shareholders, clients, employees and followers of Republic Bank of Arizona

RBAZ | **Republic Bank**
of Arizona

Q1 INITIATIVES TAKE HOLD, PPP LOANS DOMINATE HEADLINES

Brian Ruisinger • President and Chief Executive Officer

The Paycheck Protection Program (PPP) dominated the economic and banking headlines in the second quarter as the world struggled with the COVID-19 pandemic impacts. Our team showed tremendous commitment and worked tirelessly to originate 250 PPP loans for \$25.4 million to small businesses in our community. Significant in our effort is that over two-thirds of our loans were made to non-customers, many of which have opened deposit accounts and moved their relationships to RBAZ as a result of our responsiveness and commitment to small business.



Brian Ruisinger

Separate from PPP, RBAZ had a strong quarter in its core operations as we saw the positive impacts of new initiatives and cost reductions implemented in Q1. Interest income increased while deposit interest and non-interest expenses decreased, driving greater core earnings over the prior quarter. Also exclusive of PPP, loans and deposits grew significantly in Q2, outpacing budget year-to-date. Our team's work continues to be reflected in our Bauer Five-Star bank rating.

Our previous message outlined our top priorities for 2020 as growth, efficiency and profitability. We are pleased to report loan growth of 51% (15.3% when excluding PPP loans), deposit growth of 28.7%, while total assets increased from \$107 million to begin 2020 to \$164.5 million at mid-year. Earnings rebounded nicely from our transitional Q1 as many of our actions began to bear results. We have controlled expenses while growing top line revenues. In mid-July, our branch in North Scottsdale marked its one-year anniversary and the past six months have seen increased activity and growth.

Our Marijuana Banking Program began at the same time as the pandemic, which created a slower start but the program has seen significant increased activity in recent months and is building a diverse client base ahead of the November full-recreational ballot initiative in Arizona.

We are bullish on Phoenix and continue our efforts to be the premier community bank in the Valley.

FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD June 2020	YTD June 2019
Total Assets	\$ 164,512	\$ 107,364
Net Loans & Leases (excl. HFS)	\$ 106,317	\$ 63,131
Total Deposits (domestic and foreign)	\$ 116,335	\$ 90,020
Net Income	\$ 171	\$ 358
(Percentages)		
Return on Average Assets	0.26%	0.67%
Liquidity Ratio	47.00%	45.76%
Leverage Ratio	11.53%	14.77%

Board Of Directors

- Camala C. Bailey**, Founder and President, Camala C. Bailey, CPA
- Christian C.M. Beams**, Managing Partner, Fredenberg Beams LLC
- Chad E. Cline**, CFO, Symmetry Software
- Regina L.R. Edwards**, Ph.D., Board member for Hope's Crossing and the Phoenix Public Library Foundation
- Judy A. Lynn**, Managing Member, 831 Investors, LLC
- Brian Ruisinger**, President and Chief Executive Officer, RBAZ
- Alan L. Sparks**, Owner and President, Gemma Companies, LLC
- Scarlett Spring**, Co-Founder and Chief Executive Officer of TapRoot Interventions & Solutions

Executive Leadership Team

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

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Stock Symbol: OTCBB:RBAZ

Stock price \$6.72 as of 9/15/20

SPOTLIGHT ON SYMMETRY SOFTWARE

SOFTWARE SOLD IN A ZIPLOC BAG LEADS TO SUCCESSFUL COMPANY

It was pure fate and a quirky but effective approach to “marketing research” that Tom Reahard chose payroll software as the beginnings of a highly successful software development career.

With a keen interest in computers, Tom began teaching himself programming nights and weekends while attending Cornell University. After earning a Bachelor’s of Science from Cornell and a Master’s from the University of Missouri, he relocated to Arizona to pursue a Ph.D. in Industrial Engineering from Arizona State University. On a whim, he walked into a Computerland store in Phoenix and asked what kind of software people were asking for. The response was, “They want to do payroll on their computer.”

With that, Tom spent three months writing a small business payroll application and returned to Computerland to sell the software and user guide in Ziploc bags on consignment. And the rest, as they say, is history. Tom later teamed up with another company offering a small business general ledger and accounting product and together they were the first company to offer a small business payroll and accounting product for the personal computer.

ONE MAN, ONE PRODUCT

After selling that first company, Tom started Symmetry Software in 1984 as a one-person operation, offering one product – the Tax Table Library, the predecessor to his flagship Symmetry Tax Engine software. Today, Symmetry Software is a leader in payroll-related technology applications selling five main payroll software products to payroll and HCM providers and fortune 500 companies around the U.S. and Canada.

Location accuracy and precision is what sets the company’s products apart from the competition, according to Elizabeth Oviedo, Tom’s daughter and the company’s chief strategy officer. “We use exact longitude and latitude coordinates to identify the taxes that apply to individual employees,” says Elizabeth. “That allows us to give clients the most precise payroll tax and minimum wage rate results possible. Many of our competitors use zip codes to identify taxes, which is an incomplete measure.”

Another differentiator is Symmetry Software’s Symmetry Payroll Forms technology, which can pre-populate withholding forms with robust information individual employees may not have access to. “We use both a work address and home address in determining what forms and tax rates apply to individual employees, in order to complete both federal, state, and local forms, which is the most comprehensive approach to withholding forms,” says Elizabeth.

DEPARTURE FROM THE NORM

While Symmetry Software typically works with large national companies like Kellogg’s, Toyota and AT&T, it is extremely proud of a new product



Symmetry Chief Strategy Officer Elizabeth Oviedo with Founder and CEO Tom Reahard

targeted to small businesses called PaycheckCity Payroll. Tom’s strong desire to support small businesses like his own prompted him to launch a product specifically geared to the needs of small businesses. PaycheckCity Payroll, which provides the same big-company accuracy for small businesses, is a dream come true for the software founder.

CULTIVATING A CARING CULTURE

While some companies today are working through the struggles of remote workers during the pandemic, Symmetry Software was well positioned to initiate a work-from-home environment for its 36+ employees. “We had a 100% remote model established even before the pandemic,” says Elizabeth. With two mandatory work-from-home weeks per year, the team had experience staying connected with

strong communications in place, spiced up with additional fun and games sprinkled in of late, says Elizabeth.

“Our productivity has gone through the roof,” says Elizabeth. “We launched a new website for our corporate site Symmetry.com, launched our new product, PaycheckCity, and hired four new people. Really amazing.”

THE BENEFITS OF BANKING LOCALLY

Competitive rates and the quality of services drew Symmetry Software to Republic Bank of Arizona about two years ago. “I really appreciate the responsiveness the bank provides us,” says Elizabeth. “The bank was really incredible during the PPP loan process. We had a very successful and seamless experience, which I know many other businesses did not receive with their bank. We are very grateful for the bank’s help leading us through the process.”

“We are proud to support the banking needs of Symmetry Software,” says RBAZ CEO Brian Ruisinger. “They are a high-quality company that truly cares about their customers and employees. Tom is a true leader who has surrounded himself with great people. They are experts in their industry, and we look forward to being part of the company’s ongoing growth and success.”

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Elizabeth Oviedo

“STEPPING UP” TO HELP FUEL OUR MICRO-RECOVERY

Amy Lou Blunt • Executive Vice President, Chief Credit Officer

As we all attempt to navigate our way through this economic and pandemic storm, there are some basic tenets that apply to banking as a business which we can all leverage into tools for success in our personal and professional lives.

These would be Compliance and a Positive Attitude.

In our heavily regulated industry, compliance dictates virtually everything we do, whether it is compliance with government regulations, state laws, or temporary mandates. It also applies to how we relate to each other, in compliance with professional standards as well as basic human interactions, courtesy, and awareness of others presence and emotions.

This plays out in all aspects of our lives, whatever your



Amy Lou Blunt

How we conduct our business, how we protect your accounts and information, and how we treat each other as well as those who entrust their finances with us, define who we are.

profession or industry. The more trying the times, either economically or the threat of illness, the more critical our behaviors and choices become. Here at the bank, as an essential service, we have kept both locations open throughout the year to assist our clients.

Along with the standard protocols to manage exposure, we launched an employee 8-week Step Challenge to focus efforts on lowering stress, elevating immune systems and fostering a unified, positive attitude. The Challenge created a fun focus to uplift spirits while carrying on with our daily responsibilities. Hopefully, our positive attitude was contagious!

Focusing on “Forgiveness” in Q4

Another focus for the Bank has been our involvement in facilitating the SBA Paycheck Protection Program. While this was not in our Strategic Plan for 2020, the additional work volume has created opportunities to reach many new clients, and become an information resource to manage compliance through the ever-evolving process. Working through the forgiveness process has granted us another chance to enhance our financial partnerships, and perhaps lighten your day a little in the process.

Let’s keep that positive energy flowing and fuel our own micro-recovery, a catalyst for us all to succeed!

Q1 INITIATIVES SHOW PROGRESS AND BALANCE SHEET GROWTH CONTINUES

Christine Worth • Chief Financial Officer

The second quarter of 2020 was highlighted by the positive impact to earnings from new initiatives and cost reductions implemented in the first quarter of the year. Earnings were \$159,000, or \$0.09 per share, for the quarter ended June 30, 2020 compared to \$123,000, or \$0.07 per share, for the comparative quarter in 2019.



Christine Worth

Despite compression in margins as a result of rate reductions by the Federal Reserve beginning in the second half of 2019, the Bank increased net interest income by 5.9% from the second quarter of 2019 to the second quarter of 2020. Additionally, the Bank reduced non-interest expense over the same period even with the increase in personnel and other costs related to the Scottsdale branch, which opened in July 2019.

During the quarter, loan and deposit growth continued to outpace budget year-to-date. Loans were up \$36.1 million or 51.5% from December 31, 2019, of which \$25.4 million was attributable to PPP loans and the remaining \$10.7 million or 15.3% were portfolio loans. Deposits increased \$25.9 million or 28.7% from December 31, 2019 as the Bank achieved results from new initiatives launched as part of its strategic plan for the year and gained new deposit relationships with PPP loan recipients who were not previous customers.

New to the Bank’s balance sheet in the second quarter was \$30.2 million in borrowings. The Bank capitalized on low-cost borrowing opportunities through Federal relief programs consisting of \$15.5 million in Paycheck Protection Program Liquidity Facility through the Federal Reserve Bank matched against PPP loans and \$14.7 million in low or no-cost Federal Home Loan Bank advances.

The Bank remains well capitalized with an 11.53% leverage capital ratio.

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ARIZONA BUSINESSES BANK WITH US

<p>\$712,500 Construction/MiniPerm Storage <i>Scottsdale</i></p>	<p>\$500,000 CRE Term Loan Retail <i>Scottsdale AirPark</i></p>
<p>\$806,250 Business Equity LOC A & D <i>Cottonwood</i></p>	<p>\$357,000 CRE Term Loan Social Services <i>Phoenix</i></p>
<p>\$250,000 CRE Term Loan CPA <i>Maricopa</i></p>	<p>\$25,976,099 PPP loans 273 loans <i>70% new clients</i></p>

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CHALLENGE ACCEPTED!



Republic Bank of Arizona’s Step Challenge 2020 was a huge success. The goal of the challenge was to achieve personal and team health awareness and to actively work towards stronger immune systems and lower stress levels during pandemic. Three teams competed each week for prizes, with the number of steps increasing each week to a goal of 10,000 steps per person, per day in week 8.

The teams really “stepped up” this year, blowing away last year’s totals, according to our challenge chief Amy Lou Blunt. “The competition was very strong,” says Amy. “The difference between the first place team and the second place team was only 39 steps per person per day. As a team, we walked all the way from Phoenix to the Panama Canal.”