



# RepublicNotes

SHOP LOCAL. DINE LOCAL. BANK LOCAL.

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

## Q2 - RECESSION OR NOT?

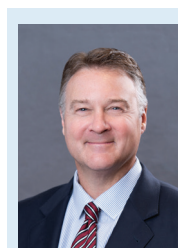
Brian Ruisinger • President and Chief Executive Officer

The second quarter economic news was dominated by record inflation reports, rising interest rates and negative GDP numbers prompting a discussion of whether or not we are currently in a recession. The Federal Reserve raised its key interest rate by 1.25% in Q2 after the first raise in years in March of this year. The public perception is that rising rates are a boon for banks.

Over time, yes, in the short term it is actually detrimental. The typical commercial loan carries a fixed rate for some period of time, usually 3 to 5 years. So until a Bank's loans reach their repricing interval, they are yielding the same as when rates were lower. At the same time, depositors begin to demand higher rates to be paid on their accounts, thereby compressing banks' interest margins and deteriorating profits. This cycle, rates have risen so sharply so quickly that the economy hasn't had time to absorb and digest the rate movements and banks are struggling to maintain their margins.

The Fed is compelled to raise rates quickly to head off the record inflation but we are already hearing rumblings of a strategy that indicates the Fed has learned from mistakes of the past and would look to begin lowering rates as early as June of 2023 in order to not choke off the economy as happened in the 1970s when rates remained elevated for too long resulting in a significant recession.

We are pleased that our core earnings increased 16% year-over-year as a result of our concentrated efforts on topline revenue and controlling interest expense. We continue to see good transaction flow while many of our customers are taking a cautious approach to the new economic and rate environment. RBAZ remains well capitalized and poised for continued growth in its mission to be the premier Arizona based bank, as reflected in our Bauer Five-Star bank rating.



Brian Ruisinger

**RBAZ** | Republic Bank  
of Arizona

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### FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD June 2022	YTD June 2021
Total Assets	\$ 249,658	\$ 231,015
Loans & Leases	\$ 135,293	\$ 116,897
Total Deposits	\$ 225,521	\$ 205,832
Net Income	\$ 936	\$ 1,047
(Percentages)		
Return on Average Assets	0.76%	1.01%
Liquidity Ratio	49.21%	54.05%
Leverage Ratio	9.59%	10.52%

## SPOTLIGHT ON ACCIDENT LAW GROUP

### FIGHTING THE GOOD FIGHT IN ARIZONA

Joe Brown fights for the underdog – a passion he developed while working for the other side as an insurance claims adjuster for a national insurance firm.

“They forget about the person and fight for the company,” says Joe, founder of Accident Law Group. “They deny claims because they can, and often people don’t have the means to sue or fight for their rights.” It’s why he started Accident Law Group (ALG) over six years ago: to make a difference.

### A TURNING POINT IN HIS CAREER

After graduating from Law School, Joe wanted to go into criminal law he explains. But he had difficulty getting a job in Arizona having graduated in DC. Law firms favored local grads to fill open positions at that time. So, he took a job as an associate attorney with a large personal injury firm – and he LOVED it. This is where he had the opportunity to provide fair representation on behalf of people seeking a fair settlement.

After 13 years and rising to a top-level position at the firm, he was ready to start his own law firm with a more personal approach; focusing on the client and giving quality personal service not often provided by other firms. ALG does this by keeping each attorney’s caseload low and maintaining a very robust litigation team.

“As a client of ALG, you’ll meet your attorney immediately,” says Joe. “Your attorney will handle all the intake and negotiations with the insurance company. If the case can’t be resolved, it will go to prelitigation and then to a litigator. It’s the same model used by the insurance companies and we built it specifically for accident and injury cases.”

### PASSION BREEDS SUCCESS

That business model seems to be extremely successful. Joe started his firm in 2015 with two other people. The firm has enjoyed explosive growth in six and a half years and now employs over 40 people.

“I always intended for the firm to be a top three law firm,” says Joe. “It was a lofty goal I know, but I felt that if we maintain our integrity and core values, always handling cases the right way, we would reach that goal.” Joe’s short-term growth plans include expansion in Tucson and New Mexico, a plan spurred by a recent acquisition.

Joe was unexpectedly approached by the owner of the Law Tigers, who specialize in motorcycle accidents, to take over their cases as the owner planned to retire. “They sought us out,” says Joe. “To me, it was an affirmation that how we handle cases is second to none. The company was familiar with us and know we will fight for their clients.”

Fortunately, Joe had built ALG with the infrastructure to quickly accommodate an opportunity such as this. “We were built for growth,” he says. The Law Tigers will be a blend of the two companies, continuing its brand while ALG handles the cases.



### ACCIDENT CASES ONLY

As the name implies, Accident Law Group handles only accident and injury cases, but not just car accidents as you might assume. The company’s areas of specialization also include dog bites; motorcycle, bicycle and pedestrian accidents; head injuries; medical malpractice; and more.

You may have seen Joe on TV, showing up in the family car, or at the dinner table explaining how it’s impossible to “plan” for an accident. In his gentle way, he reminds us that accidents strike without warning and why you should call the Accident Law Group when it happens.

### INVESTED IN THE COMMUNITY

Giving back to the community has always been a top priority for Joe and his team. ALG recently joined with Mothers Against Drunk Drivers (MADD) as the exclusive personal injury partner. “I’m really excited about this new partnership,” says Joe. “We were looking for an organization that we could get behind. We want to do more than just write a check. We want to get involved by helping to promote and sponsor their activities and mission. MADD is a great organization and a great fit for our company.”

### A “RARE” BANKING RELATIONSHIP

Finding a financial institution that truly understands how a personal injury law firm operates is difficult, according to Joe. But he found one in Republic Bank of Arizona. “The staff at RBAZ really understands our needs and goes above and beyond to get things done for us,” says Joe. “And that’s rare. They understand the value of my firm, how cases work, and how revenue is derived and obtained. They are committed to helping me grow my business. I know this is going to be a great relationship.”

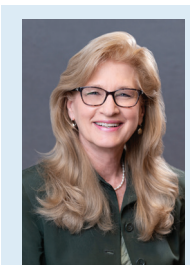
“It’s exciting to support Joe and his future growth plan for the company,” says Brian Ruisinger, RBAZ president and CEO. “It’s obvious how passionate Joe is about fighting for the individual. We are lucky to have people like Joe fighting for us during difficult times. We are proud to support the financial needs of the Accident Law Group and look forward to a mutually-beneficial, long-term relationship.”

## INVISIBLE BANKING? NOT ON MY WATCH!

Amy Lou Blunt • Executive Vice President • Chief Credit Officer

rel·e·vant  
adjective

- closely connected or appropriate to what is being done or considered.
  - appropriate to the current time, period, or circumstances; of contemporary interest.
- “what small companies need is **relevant** advice”



Amy Lou Blunt

I was reading yet another article on the top trends in the banking and financial services industry, to see if there were any salient points to incorporate into our future strategies. Leading the list was accelerating focus on digital transformation and the adoption of emerging technologies. While I certainly do not disagree – RBAZ will be converting its core platform in the first quarter of 2023 to a far more robust, cloud-based product with tremendous enhancements – I believe the inherent benefits are in the improvement and expansion of the client experience, as well as staff efficiencies. However, the article was more focused on speed, virtual currencies and the value proposition of “invisible banks”.

On the topic of technology, I have also reviewed a number of software products that would facilitate online loan applications, artificial intelligence in financial spreads/analysis, and automating loan decisions. While I haven’t found quite the right fit just yet, I know it is out there, and will be excited to build out and launch as soon as feasible. Again, the primary objective is to match the right loan product with a client’s needs and cash cycle, streamline and expedite the process, and provide value to each individual client.

So that takes us back to the value proposition. Transformations are being demanded of financial institutions to be relevant in the future. I cut and pasted the definition of “relevant” to the top of this article. I thought the example that Oxford Languages used what particularly appropriate – “what small companies need is relevant advice”.

This is where our bankers shine. This is the relationship part of relationship banking. NOT invisible banking.

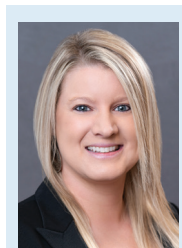
So while we will continue to embrace technology to support and enhance banking, it will not replace the interaction between you and your banker, whether it be on the phone, in your office or ours, on the golf course or volunteering at a community event.

There are some things in community banking that just should not change.

## CORE EARNINGS INCREASE YOY, PPP WINDS DOWN

Christine Haugen • Executive Vice President • Chief Financial Officer

Earnings were \$936,000, or \$0.52 per share, for the six months ended June 30, 2022 compared to \$1,047,000, or \$0.58 per share, for the comparative period in 2021. While total year-to-date earnings in 2022 trailed slightly behind those of 2021, earnings related to the Bank’s core operations have increased. Current year earnings of \$0.52 per share were comprised of \$0.43 per share attributable to core operations and \$0.09 per share due to impacts from the Paycheck Protection Program (“PPP”), whereas prior year earnings of \$0.58 per share were comprised of \$0.37 per share attributable to core operations and \$0.21 per share due to impacts from the PPP.



Christine Haugen

This represents a 16% increase in core earnings year-over-year and can be primarily attributed to the Bank’s topline revenue growth coupled with continued control of interest expense through the first half of the year. With the winding down of the PPP program, management is pleased to see strong results from our core banking operations.

Our balance sheet remained stable from the first quarter to the second with total assets ending June 30, 2022 at \$249.7 million. With the Federal Reserve increasing interest rates at a record pace during this time period, we experienced a slowing in our growth as business owners and individuals navigate the impacts of these rate movements. On a year-to-date basis, total assets are up 8%.

Despite a relatively flat Q2, total deposits at June 30, 2022 were \$225.5 million representing an increase of \$20.0 million or 10% through the first half of the year. Year-to-date deposit growth was generated through many avenues including deepening of existing customer relationships and new business earned through increased marketing efforts, our online presence and a strong referral network.

Loans saw improvement in the second quarter with a slowing of payoffs allowing for positive net portfolio loan growth of \$3.8 million on a year-to-date basis. With \$3.9 million of PPP loan forgiveness received during the year, total loans experienced a slight contraction of \$103 thousand or 0.1% from December 31, 2021 ending the first half of the year at \$135.3 million.

The Bank remains Well Capitalized with a 9.59% leverage capital ratio and maintains its Bauer five-star rating.

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### ARIZONA BUSINESSES BANK WITH US

**\$4,700,000**

CRE Term Loan  
Retail Strip Center  
Phoenix

**\$8,640,000**

Construction Loan  
Townhouse Project  
Phoenix

**\$1,000,000**

Equipment Term Loan  
Precision Manufacturing  
Phoenix

**\$2,400,000**

RLC  
Non-Profit  
Scottsdale

**\$750,000**

RLC  
Engineering & Manufacturing  
Lake Havasu City

**\$280,000**

CRE Term  
Investment SFR  
Cottonwood

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### BACK-TO-SCHOOL DRIVE IS HUGE SUCCESS!

**Arizona Helping Hands**  
*Back to school*  
**DRIVE**

**“**  
*Your donation is leading a child to their forever home. We couldn't do this work without you.*  
*Thank you.*  
**”**

BETHANY AND THE AHH FAMILY

RBAZ collected cash donations of \$720 during our Back-to-School Drive benefiting Arizona Helping Hands. That amount equals over 20 fully supplied backpacks for Arizona’s foster children. In addition to the cash donation, RBAZ also donated a box filled with backpacks and supplies plus 5,000 sheets of paper! Thanks to all who supported the drive with donations of cash, backpacks and supplies!