



RepublicNotes

SHOP LOCAL. DINE LOCAL. BANK LOCAL.

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

NEW BRANCH OPENS IN GILBERT

Brian Ruisinger • President and Chief Executive Officer

We are excited to announce the opening of a new branch in the East Valley on October 31, bringing local banking to the Gilbert community. The new branch, RBAZ's third location in Arizona, is located at 1417 W Elliot Rd., Gilbert, AZ 85233, one block east of the Elliot and McQueen intersection.

We are bringing our local brand of banking to Gilbert and the East Valley. We had targeted Gilbert and the East Valley for some time now. Our market research showed that the businesses operating in Gilbert were primarily in our sweet spot in terms of their size, industry, and other factors. The pandemic got in the way of our plans, but once we found the right location, we moved quickly. As one of only nine banks headquartered in all of Arizona, we believe businesses and residents throughout the state deserve the opportunity to keep their money in the community in which they live and work so we intend to continue to pursue expansion of our brand throughout Arizona.

Unlike our existing locations, the Gilbert branch is a full-service, stand-alone building with an ATM and drive-thru. The operating hours are Monday through Friday, 9 a.m. to 5 p.m.

We look forward to integrating into the East Valley community through our East Valley Advisory Board, which is chaired by longtime East Valley resident and former banker Neil Barna. Neil's familiarity and knowledge of the East Valley business market and community is a great benefit to RBAZ, and we're excited to have him part of this effort. Additionally, our community outreach committee, known as The Culture Club, whose overall goal of is to promote a fun, productive and cohesive workplace culture, and enthusiasm for philanthropy, which extends throughout the communities it serves will be extended to the East Valley.



Brian Ruisinger



Republic Bank
of Arizona

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- Camala C. Bailey**, Founder and President, Camala C. Bailey, CPA
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Executive Leadership Team

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

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800.962.4284

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FINANCIAL HIGHLIGHTS (UNAUDITED)

(in thousands)	YTD Sept 2022	YTD Sept 2021
Total Assets	\$ 226,251	\$ 228,063
Loans & Leases	\$ 142,872	\$ 121,396
Total Deposits	\$ 201,486	\$ 202,093
Net Income	\$ 1,270	\$ 1,545
(Percentages)		
Return on Average Assets	0.69%	0.95%
Bank Liquidity Ratio	37.78%	51.36%
Bank Leverage Ratio	10.67%	10.28%

Financial highlights presented consolidated unless otherwise stated

PHOENIX
645 E. Missouri Ave., Ste 108
602.277.2500

SCOTTSDALE
6909 E. Greenway Pkwy., Suite 150
480.702.2600

GILBERT
1417 W. Elliot Rd.
480.436.7963

SPOTLIGHT ON AMERICAN VETERAN CONTRACTING SOLUTIONS, LLC

SERVICE-DISABLED VETERAN-OWNED BUSINESS ACHIEVES PHENOMENAL SUCCESS

American Veteran Contracting Solutions (AVCS) was founded on the belief that every American veteran deserves to be laid to rest with dignity, honor and respect. Since 2017, the company has worked in partnership with the Veteran's Administration to provide elegantly crafted granite markers and marble headstones for veterans around the world, giving military personnel and their families another way to honor and memorialize a precious life.

A FAMILY AFFAIR

Owner Josh Gonzalez, a veteran himself, began the veteran-owned and family-operated company with his uncle, Marco Gonzalez, who had been in the stone industry for 32 years. Marco became aware of a federal program to help disabled veterans looking to start a business of their own. Marco presented Josh with the idea of creating a company that would use his skills with Josh's talents in business operations. And the building blocks for AVCS were formed.

Josh and Marco later completed the process to become government certified to be part of a pool of companies providing headstones and markers for the Veteran's Administration. Once they obtained a government contract, the company took off, growing by leaps and bounds. At that time, Marco's son and Josh's cousin Mitch Gonzalez joined the company as operations manager.

"We have grown really fast," says Josh. "We are one of the top suppliers for the VA." The granite and marble headstones are manufactured at two of the company's facilities located in Oklahoma and Vermont and are shipped throughout the world. "A US veteran can be buried anywhere," explains Josh. "They can be buried in US national or private cemeteries and are still eligible to receive a marker or headstone."

PROUD AND HONORABLE WORK

The work is intense with lots of travel and long hours for the management team. But it's honorable work they love, explains Mitch. The company receives orders from the VA daily. "There's a lot that goes into it in terms of cutting, boxing, packaging and shipping," says Mitch.

"The headstones are cut from blocks of marble or granite that can weigh up to 45,000 pounds," explains Marco. "The headstones and markers are cut to a specific uniform size, engraved to the



Josh and Mitch Gonzalez of American Vetran Contracting Solutions

specification of each individual service person, polished, packaged and shipped."

While the company can't talk specifics for privacy reasons, they have created markers for soldiers that date back to the revolutionary and confederate wars. "We have created headstones for veterans from multiple wars," explains Marco. Anytime an order comes in for a soldier killed in action they are moved to the top of the list, he said.

STRONG SUPPORT RELIEVES GROWING PAINS

Finding phenomenal success quickly does have its challenges. But the team at AVCS feels fortunate to have a financial partner that believes in the company and supports its short and long-term growth plans. That partner is Republic Bank of Arizona.

"We wanted to work with a local bank that supports our vision," says Josh. "The biggest thing for us is having a strong partnership. It's why we're working with RBAZ. They were the most forthcoming with their support of our growth plans."

"The work American Veterans Contracting Solutions does is extraordinary," says Brian Ruisinger, Republic Bank of Arizona president and CEO. "Josh and his team have a clear vision and a strong growth plan. It's a well-run veteran-owned local business that does great work for a worthy cause. We are so proud to support them and look forward to helping them achieve their future goals."

To learn more about the VA's headstone program visit www.cem.va.gov/hmm/

To learn more about the VA's Service Disabled Veteran Owned Small Business program, visit <https://business.defense.gov/Socioeconomic-Programs/SDVOSB/>

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Josh Gonzalez

WHY IS THE CCO TALKING ABOUT DEPOSITS?

Amy Lou Blunt • Executive Vice President • Chief Credit Officer

OK, show of hands. How many of you remember the original Disney Mary Poppins movie? We know that Jane and Michael Banks' father is a banker, who at times comes home weary from the work of the day. But, towards the end of the show, the bankers gather to convince Michael to deposit his "tuppence" in the bank (rather than feed the park pigeons). There is a very lively song about how deposits in the bank lead to funding for "railways through Africa", "dams across the Nile", and a whole litany of services and professions.

Well, on a not so international scale, that's exactly how your deposits support your own community. Your local deposits fuel the bank's lending platform, so that your local businesses can thrive by bridging cash cycles, adding fleets of vehicles, buying larger warehouse, office or manufacturing space to support continued growth and the ability to serve our ever-growing Valley of the Sun.

Our Metro Phoenix area has a fairly unique deposit profile, compared to other similarly sized cities. Did you know that the "big 3" banks house 62.5% of total deposits in this market? Yes, there is a convenience factor having a prolific branching footprint, but, in this day of enhanced technology, how much does that really matter? At RBAZ, we make ourselves available to you throughout the Valley, at our offices and yours, which is probably why there is such a robust pipeline of lending opportunities.

Your deposit dollars stay in Arizona and are put to work across a variety of cities, industries and not-for-profit organizations -- as you can see from the "tombstones" in this newsletter highlighting six of the business loans over the past quarter.

"All from tuppence prudently, thriftily, frugally invested in the (local community) bank."



Amy Lou Blunt

NET INTEREST INCOME IMPROVES AMIDST RATE PRESSURE

Christine Haugen • Executive Vice President • Chief Financial Officer

Consolidated earnings were \$1,270,000, or \$0.70 per share, for the nine months ended September 30, 2022 compared to \$1,545,000, or \$0.86 per share, for the comparative period in 2021. While total year-to-date consolidated earnings in 2022 trailed slightly behind those of 2021, consolidated earnings related to the Company's core operations have increased. Current year consolidated earnings of \$0.70 per share were comprised of \$0.60 per share attributable to core operations and \$0.10 per share due to impacts from the Paycheck Protection Program ("PPP"), whereas prior year consolidated earnings of \$0.86 per share were comprised of \$0.50 per share attributable to core operations and \$0.36 per share due to impacts from the PPP.

This represents a 20% increase in core consolidated earnings year-over-year as increases in core interest income notably outpaced increases in interest expense. The Company has focused efforts to keep topline revenues growing knowing that the PPP program has come close to its end. However, pressures to raise deposits rates began in the second half of the year. With liabilities repricing faster than assets in the current and projected interest rate environment, the Company can expect to see margin compression until the rate environment balances.

The Company experienced a reduction in its overall balance sheet with total assets ending September 30, 2022 at \$226.3 million, a decrease of 2% since December 31, 2021.

The decrease in total assets can be attributed to a reduction in total deposits, which ended the quarter at \$201.5 million, a decrease of 2% annually. This decrease consisted of \$17.3 million in anticipated deposit outflows relating to capital accounts for De Novo institutions that opened for business during 2022, offset by \$13.3 million in deposit growth through deepening of existing relationships and generation of new banking relationships.

Loans experienced a strong third quarter ending at \$142.9 million, an increase of 5.5% annually. This increase consisted of \$12.0 million in net portfolio loan growth, offset by \$4.6 million of PPP loan forgiveness received during the year. The Company has a strong loan pipeline in place to fuel additional growth before the end of the year.

The Bank remains well capitalized with a 10.67% leverage capital ratio and maintains its Bauer five-star rating.



Christine Haugen

ARIZONA BUSINESSES BANK WITH US

\$5,000,000

CRE Term Loan
Retail Strip Center
Casa Grande

\$1,540,000

CRE Term Loan
Industrial
Tolleson

\$3,500,000

CRE Term Loan
Hospitality
Tucson

\$3,000,000

RLC
Law Firm
Phoenix

\$1,215,000

Equipment Term Loan
MRB
Snowflake

\$3,520,000

CRE Term Loan
MRB
Gilbert

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