



Commerce Bank of Arizona Update

From John P. Lewis's opening remarks at the Annual Shareholder Meeting on May 16, 2019; "Strong earnings and robust growth continued at CBOA Financial and Commerce Bank of Arizona ("the bank") during the 4th quarter of 2018. This concluded a remarkable year which saw Bank Earnings reach their highest level since 2010 at \$1.92MM. Bank assets grew \$21.8MM and our team added \$16.7MM in new loans". The Bank reported a profit of \$1,921,000 for the year through 12/31/2018, which was a 92% increase over the same reported period a year ago.

The Bank continues to focus on growing its deposit base, as deposits fuel lending. As lending drives the Bank's earnings, this in turn supports local business growth in Southern Arizona and the Phoenix / Scottsdale area.

Commerce Bank recently had their Annual 2019 Shareholder Meeting, below are the key points:

- The bank has done a superb job by promoting from within. Keeping the culture and sense of community is a pillar when competing with other banks.
- The Commerce Bank of Arizona (CBOA) website is continually updated and is a tool in attracting new customers.
- CBOA recently relocated their Scottsdale office to a new location in a vibrant part of the city.
- Commerce Bank of Arizona can process loans locally, and in days versus other banks who must send their loan proposals out of town for review and approval.
- The positive experience customers are having with the bank is spreading, helping to attract bigger business.
- New Chief Credit Officer – **Paul Tees**
 - Paul Tees is the Chief Credit Officer for Commerce Bank of Arizona. Prior to joining Commerce Bank, he was the CFO of Kiernan-West, a private real estate company. In addition, Paul has held several senior management positions within the banking industry including Wealth Management, Corporate and Commercial Real Estate Lending.

CBOA is having a positive impact generating new relationships with businesses we all know, and some we are beginning to know. CBOA has flourished thanks to locally owned, well-known businesses throughout the community. Commerce's reach can be seen in manufacturing, construction, retail and medical offices throughout Tucson and Phoenix.

The job market is an immense driver for growth and creates a multiplier of monies spent on goods and services. More jobs equal more money for individuals to spend, buy a home, or start a business. The recent construction taking place is a positive economic sign that Commerce Bank of Arizona is well positioned for growth.

Taking a closer look at the job market in Arizona, the latest employment numbers show strong gains, especially in the construction industry. Below are key takeaways from the latest jobs data for Arizona.

- Arizona added another 75,300 private-sector jobs in the last year
- 1 out of every 4 being in the construction industry
- Unemployment rate in Arizona for the month of April was 4.9%

RMH views CBOA as an attractive investment. The bank is in a sound financial position with conservative operating procedures. Additionally, Tucson and the surrounding areas are indicating continued signs of growth. All of this adds up to stable loan growth, driving earnings upward, and an undervalued stock price. If you have any questions or thoughts, please feel free to reach out to RMH.

Full disclosure: some of RMH's clients, Munding Family, along with Richard are invested in Commerce Bank of Arizona.