



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 15, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

West Valley National Bank  
Charter Number 24683

12725 West Indian School Road, Building C-108  
Avondale, Arizona 85392-9523

Office of the Comptroller of the Currency

Arizona & New Mexico Field Office  
9633 South 48th Street, Suite 265  
Phoenix, Arizona 85044-8629

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

West Valley National Bank's (WVNB) lending performance reflects a satisfactory response to community credit needs. This is based on the following factors.

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, credit needs of the assessment area (AA), and has consistently improved since the bank opened.
- A majority of the loans were made within the bank's AA.
- Lending activities represent a reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout census tracts (CTs) of different income levels in the bank's AA.

**SCOPE OF EXAMINATION**

The examination of WVNB consisted of a full-scope review of the bank's single AA. The lending test covered January 1, 2007 through August 31, 2009, referred to in this report as the evaluation period. We identified commercial loans as the bank's primary loan product based on the number and dollar amount of loans originated during the evaluation period. There were no affiliate loans to review.

<b>Loan Originations for Evaluation Period</b>	<b>% of Dollar Amount of Loans</b>	<b>% of Number of Loans</b>
Commercial Loan Originations as a % of Total Originations	86%	76%

*Source: Loan originations for evaluation period.*

We sampled 20 loans from the bank's primary loan product. The data from the original commercial loan sample was used to calculate the inside/outside AA ratio. To perform other lending tests, we eliminated loans outside the AA from the original sample and added enough additional loans to provide a sample of 20 commercial loans from inside the AA. The sample is representative of the bank's business strategy.

**DESCRIPTION OF INSTITUTION**

WVNB is a community bank headquartered in Avondale, Arizona. The bank is a wholly-owned subsidiary of West Valley Bancorp, Inc. and there are no affiliates. As of June 30, 2009, WVNB had total assets of \$37.3 million, total loans of \$26.7 million, and total deposits of \$20.8 million. During the evaluation period the bank opened one branch in Buckeye, Arizona and a Loan Production Office (LPO) in Scottsdale, Arizona. The bank did not close any branches during the evaluation period. The main office is located in an upper-income CT and the Buckeye branch is located in a moderate-income CT.

WVNB does not own any deposit taking ATMs has an agreement with the Star Network, which is part of First Data. This agreement allows bank customers to make deposits using any ATM in the Star Network.

The bank's primary lending focus is small business loans. In terms of dollars, commercial, commercial real estate, and construction and development loans represent 83 percent of gross loans as of June 30, 2009.

There are no financial or legal impediments that hinder the bank's ability to help meet the credit needs of the AA. This CRA review is the first for WVNB.

Additional details about the bank may be found in its Public File, maintained at the main office of the bank.

## **DESCRIPTION OF ASSESSMENT AREA**

WVNB has designated 34 CTs from the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) as its AA. The CTs represent the towns of Avondale, Buckeye, Goodyear, and Litchfield Park, all of which are located in Maricopa County on the western side of the City of Phoenix. The bank's AA is comprised of 2 low-, 11 moderate-, 16 middle-, and 5 upper-income CTs. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies. For additional details on the CTs and income designations, see the bank's Public File.

The economy of the Phoenix-Mesa-Scottsdale MSA is diverse and the largest sectors of employment include professional and business services, government, retail trade, and education and health services. Major employers include Bashas' Inc., US Airways, the Banner Health System, and Intel Corporation. Local economic conditions are deteriorating and unemployment has been on the rise for the past two years. According to the June 2009 United States Bureau of Labor Statistics data, the current unemployment rate in the MSA is approximately 8.3 percent. The increase is due in part to the housing downturn and subsequent loss of construction jobs.

Competition for financial services is strong in the Phoenix-Mesa-Scottsdale MSA. The June 30, 2008 FDIC Deposit Market Share Report shows 77 financial institutions competed for over \$56 billion of insured deposits. JPMorgan Chase, Bank of America, and Wells Fargo collectively hold 64 percent of the deposit market share, representing \$36 billion of insured deposits, and a combined total of 462 branches. WVNB is ranked 57<sup>th</sup>, with a 0.05 percent share of the marketplace and does not typically operate outside of the MSA. Almost half the competitors have access to other loans and deposits outside the local market.

There are several similarly situated banks to WVNB in the marketplace. The similarities are identified in terms of size, geographic presence, and age of the institution as WVNB is considered a De Novo bank. A De Novo bank is a bank that has been established within the last three years. Comparable institutions include small community banks that

were established between 2006 and 2007 and were used to evaluate the bank's LTD ratio.

During our evaluation of WVNB, we contacted a community organization to determine the credit and financial needs and potential community development opportunities in the AA. The contact was a community organization that works with small businesses in Arizona. The contact indicated the local economy is in a recession and that small business lending decreased substantially in 2009. The contact indicated that major issues affecting small business lending include capital, profit, and regulatory concerns in addition to the economy. The main issue noted was the economy, and the community contact implied that the economy must improve for small business lending to return to normal.

Maps and additional information about the bank's AA may be found in the bank's Public File, maintained at the main office of the bank.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

WVNB's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. As of June 30, 2009, the bank's quarterly LTD ratio averaged 68 percent for the 10 quarters since opening. The quarterly LTD ratio ranged from a low of 5 percent as of March 2007 to a high of 124 percent as of June 2009. The extremely low LTD ratio in 2007 was due to the recent establishment of the bank. The LTD ratio has increased substantially as management has grown the loan portfolio. The results are summarized in the following table.

<b>Bank</b>	<b>Average Quarterly Loan-to-Deposit Ratio (3/2007 - 6/2009)</b>
<b>West Valley National Bank</b>	<b>68%</b>
Average of Direct Competitors	96%
Average of De Novo Banks	89%

*Source: Uniform Bank Performance Report*

Based on the bank's identification of direct competitors, their LTD ratio is significantly lower than the average. However, review of the direct competitors revealed that WVNB was not utilizing similarly situated banks when comparing their LTD ratio. One bank is a larger community bank that has been in existence for over nine years, has three branches, and is part of a multi-bank holding company with a presence outside of the AA. The other bank is also a larger community bank with nine branches and has been open for over 11 years.

Because WVNB is considered a De Novo bank, we compared the bank to several similarly situated banks which were also identified as De Novo banks. The comparison revealed that while WVNB's LTD ratio trails similarly situated banks' average LTD ratios, it is still considered reasonable.

## Lending in Assessment Area

We calculated the percentage of the number and dollar amount of our original sample of 20 commercial loans made inside the bank's AA. With 55 percent of the number and 69 percent of the dollars, WVNB's inside/outside ratio reflects that a majority of the primary loan product originated within its AA. This is depicted in the following table.

Lending in WVNB's AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	11	<b>55</b>	9	45	20	6,730	<b>69</b>	3,046	31	9,776

*Source: Loan data from the original sample of 20 loans from 1/1/2007 through 8/31/2009.*

We replaced the nine commercial loans made outside the bank's AA to arrive at a new sample of 20 loans for the primary loan product. With this new sample, we analyzed the following tests for Borrower and Geographic Distribution.

## Lending to Businesses of Different Sizes

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Forty-five percent of the bank's commercial loans sampled were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This is considered reasonable compared to demographic data that shows 60 percent of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in WVNB's AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	% Total
% of AA Businesses	60	2	38	100%
% of Bank Loans in AA by #	<b>45</b>	40	15	100%
% of Bank Loans in AA by \$	<b>35</b>	29	36	100%

*Source: Loan sample; Dunn and Bradstreet data. Sample unknown data represents three loans with no gross annual revenue information provided.*

Performance for lending to businesses of different sizes meets the standard. Both the percentage of number and dollar amount of loans, though lower than the demographic, are near the percentage of AA businesses with gross annual revenues of less than \$1 million.

## Geographic Distribution of Loans

The bank's geographic distribution of commercial loans reflects a reasonable dispersion throughout the CTs of different income levels. There were no conspicuous gaps

identified. More weight was given to the distribution of loans to businesses in moderate-income CT's because there are only two low-income CTs in the AA, which had a total of less than one-third of one percent of businesses located in them. Therefore, opportunities for the bank to make commercial loans in these CTs are very limited. However, the loan sample indicated 15 percent of commercial loans were made in moderate-income CTs. This is a reasonable penetration when compared to demographic data that shows 20 percent of the businesses in the AA are located in moderate-income CTs.

Following is a table that details the bank's performance as compared to the percentage of businesses in each CT income level.

<b>Geographic Distribution of Loans to Businesses in WVNB's AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	N/A	<b>0</b>	20	<b>15</b>	62	<b>20</b>	18	<b>65</b>

*Source: Loan sample and U.S. Census data.*

The bank's performance in lending to businesses throughout CTs of different income levels meets the standard. The geographic distribution of loans to the low-income CTs meets the demographic standard. The bank's performance in lending to moderate-income geographies, though lower than the demographic, is near the percentage of AA businesses located in moderate-income CTs.

### **Responses to Complaints**

No complaints have been received by the bank or OCC relating to the bank's CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.