



PUBLIC DISCLOSURE

April 20, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

West Valley National Bank
Charter Number 24683

2440 North Litchfield Road
Goodyear, AZ 85395

Office of the Comptroller of the Currency

550 North Brand Boulevard
Suite 500
Glendale, CA 91203-1985

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".

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is more than reasonable, given the institution's size, financial condition, and business strategy.
- The bank originated a substantial majority of its loans within its delineated assessment area.
- The geographic distribution of loans reflects excellent dispersion.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics.

Scope of Examination

This Performance Evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of West Valley National Bank ("WVNB" or "bank") using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank's Maricopa County assessment area (AA). To assess the bank's lending performance, we evaluated a random sample of commercial loans originated or purchased from January 1, 2013 through December 31, 2014 (sample period). We focused our review on commercial loans because they are the bank's primary product based on the number and dollar volume of loan originations during the sample period.

Description of Institution

WVNB is an independent, full-service community bank headquartered in Goodyear, Arizona, that opened for business in December 2006. The bank is a wholly owned subsidiary of West Valley Bancorp, Inc., a privately owned, one-bank holding company. In August 2013, the bank's headquarters was relocated from Avondale, Arizona to Goodyear, Arizona, an upper-income census tract (CT), to expand activities. WVNB also has branches in Buckeye, Scottsdale, and Gila Bend, Arizona. The Scottsdale branch was converted from a loan production office in 2011. The Gila Bend branch was recently purchased in March 2015.

WVNB offers a variety of loan products to meet the needs of small- and medium-sized businesses. Commercial loans include commercial real estate, working capital, equipment, construction, and Small Business Administration (SBA) lending. In 2014, the bank opened a division that specializes in providing banking services to the dental industry. The bank offers consumer loans mainly as an accommodation for some of their business customers. WVNB offers traditional services at all branches. The bank operates one full service automated teller machine (ATM) at the Gila Bend branch. Additionally, the bank participates in the Money Pass ATM system that allows customers to both deposit and withdraw funds.

As of December 31, 2014, WVNB reported total assets of \$40 million, total loans of \$31 million, total deposits of \$33 million, and total equity capital of \$7 million. Total loans represented approximately 78 percent of total assets. The following chart summarizes the loan portfolio by major product types.

West Valley National Bank Outstanding Balances by Major Product Type as of December 31, 2014		
Loan Type	(\$000's)	Percent
Commercial RE	18,586	59.2%
Commercial-Industrial	8,883	28.3%
1-4 Family Residential RE	1,797	5.7%
Construction	1,429	4.5%
Multifamily Residential RE	673	2.1%
Consumer	50	0.2%
Total	31,418	100.0%

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. WVNB received a "Satisfactory" rating under the "Small Bank" rating criteria at the prior CRA examination dated July 15, 2009.

Description of Assessment Area

WVNB has designated Maricopa County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. The county makes up a portion of the Phoenix-Mesa-Scottsdale, Arizona Metropolitan Statistical Area (MSA) and includes 916 census tracts. Nine percent of the census tracts are low-income, 24 percent are moderate-income, 32 percent are middle-income, 34 percent are upper-income, and 1 percent of the census tracts have not been assigned an income classification. WVNB helps meet community credit needs in the AA through its four offices.

Maricopa County is situated in south-central Arizona. As of the 2010 census, its population was 3,817,117, making it the most populous county in the state and the fourth most populous in the United States. Major population centers include the cities of Phoenix, Tempe, Scottsdale, Glendale, Mesa, and Chandler. "West Valley" is the area of Maricopa County to the west of the city of Phoenix. There are five Indian reservations located in the county.

Maricopa County is the commercial, financial, and residential center of Arizona. Phoenix, the state capital, is the driving force behind the Arizona economy. The county is well known for its tourism; however, other prominent elements of the county's economy include professional, scientific, and technical services. Arizona's economy suffered during the recession due to its historical reliance on employment tied to hospitality, retail, and the construction/real estate industries and businesses that served those industries. Today, top employers include Wal-Mart Stores, Banner Health System, Arizona State University, and Intel Corp.

The banking environment in the AA is highly competitive. The June 30, 2014 FDIC Deposit Market Share Report indicates that 57 institutions with 856 offices compete for deposits in Maricopa County. The major competing institutions include JPMorgan Chase Bank, Wells Fargo Bank, and Bank of America who collectively hold 73 percent of the deposit market share. WVNB ranks 48th and holds a market share of 0.05 percent. The banks that compete for deposits in the AA also compete for loans.

During our evaluation of WVNB, we contacted a community organization that serves the bank's AA. The organization promotes economic prosperity for its members through advocacy, programs, events, and services. The contact stated that the AA continues to have a slow recovery after the housing market plummeted a few years ago. The contact also stated there is a need for mortgage lending and small business financing. Financial institutions are meeting the needs of the community, but there continues to be many opportunities for banks to participate in community development in the AA.

Conclusions with Respect to Performance Tests

WVNB's performance under the CRA Lending Test is "Satisfactory". The bank exceeds the standard for satisfactory performance on three tests and meets the standard for the remaining test.

Loan-to-Deposit Ratio

WVNB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and local economic conditions. We evaluated the bank's quarterly average LTD ratio for the 22 quarters since the prior CRA examination through December 31, 2014. During this period, the bank's LTD ratio averaged 97 percent. This ratio ranged from a quarterly low of 80 percent to a quarterly high of 119 percent during the period. The bank's LTD ratio reasonably compares with five other banks of similar asset size in the AA. The average LTD ratio for peer banks was 76 percent over the same period, and the ratio ranged from a quarterly low of 59 percent to a quarterly high of 103 percent.

Lending in Assessment Area

WVNB granted a substantial majority of the number and dollar volume of loans inside its delineated AA and exceeds the standard for satisfactory performance. The bank granted 100 percent of the number of loans and 100 percent of the dollar volume within its delineated AA during our evaluation period. See Table 1 for details.

Table 1 - Lending in Defined Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	20	100	0	0	20	3,368	100	0	0	3,368

Source: OCC commercial loan sample.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics. The percentage of businesses with revenues of \$1 million or less within the AA is 72 percent. Based on our sample of 20 loans within the AA, the bank originated 65 percent of loans by number and 39 percent by dollar volume to these businesses. We placed greater weight on the number of loans for this analysis. The number of sampled loans reasonably compares to small business demographics in the AA. While these percentages are slightly below the area demographics, lending to small businesses within the AA is highly competitive and WVNB competes with a number of large national financial institutions as well as regional and local lenders. In addition, 55 percent of the bank’s commercial loans were for \$100,000 or less, indicating responsiveness to the needs of the businesses in the area. See Table 2 for details.

Table 2 - Borrower Distribution of Loans to Businesses in Maricopa County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	72.42	3.66	23.92	100%
% of Bank Loans in AA by #	65.0	35.0	0.0	100%
% of Bank Loans in AA by \$	39.0	61.0	0.0	100%

Source: Business Geodemographic Data. OCC commercial loan sample.

Geographic Distribution of Loans

The geographic distribution of WVNB’s commercial loans reflects excellent dispersion throughout the AA compared to area demographics and exceeds the standard for satisfactory performance. The level of the bank's lending to businesses in low- and moderate-income census tracts exceeds the area demographics. See Table 3 for details.

Table 3 - Geographic Distribution of Loans to Businesses in Maricopa County AA								
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 Loans	6.4	10.0	15.4	20.0	29.7	30.0	48.0	40.0

Source: Business Geodemographic Data. OCC commercial loan sample (Note: 0.5 percent of geographies have not been assigned an income classification.)

Responses to Complaints

The bank has not received any complaints about its performance under the Community Reinvestment Act during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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