



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

June 11, 2012

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

National Bank of Arizona  
Charter Number: 21383

335 North Wilmot Road  
Tucson, Arizona 85711

Office of the Comptroller of the Currency

Assistant Deputy Comptroller – Midsize Bank Supervision  
250 E Street, SW  
Washington, DC 20219-0001

**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, and should not 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.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Satisfactory.**”

The following table indicates the performance level of **National Bank of Arizona** with respect to the Lending, Investment, and Service Tests:

Performance Levels	National Bank of Arizona Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- An overall good distribution of loans in geographies of different income levels. We consider the distribution of small business loans excellent, home mortgage loans poor, and small farm loans adequate.
- An overall poor distribution of loans to borrowers of different income levels and businesses of different sizes. We consider the distribution of small business loans poor and home mortgage and small farm loans adequate.
- A good level of overall lending and Community Development (CD) lending. The level of CD lending had a significantly positive impact on the Lending Test in two of the full-scope assessment areas (AA) and a neutral impact in the remaining two full-scope areas.
- An excellent level of qualified investments, which are responsive to AA credit and community needs.
- A branch distribution system that is accessible to individuals living in low- and moderate-income geographies along with a good level of CD services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

National Bank of Arizona (NBA or the Bank) is a full-service commercial bank headquartered in Phoenix, Arizona. As of March 31, 2012, NBA had total assets of \$4.5 billion, total loans of \$3.3 billion, and Tier One Capital of \$606 million. NBA is an intrastate bank that operates 72 branches throughout Arizona. NBA is a wholly-owned subsidiary of Zions Bancorporation (Zions), a multi-bank holding company headquartered in Salt Lake City, Utah. As of March 31, 2012, Zions had \$52.9 billion in assets. Zions is comprised of five national bank affiliates (including NBA), three state bank affiliates, and one national trust bank. Zions conducts business in the states of Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, and Washington. The credit card lending activity from Zions Management Services Company (A Zions affiliate) will be considered in the evaluation of NBA's performance under the Lending Test.

NBA expanded its presence in the state by acquiring the Stockman's Bank in 2006. This acquisition included 11 offices in California, which were sold to County Bank immediately after the acquisition was completed. The remaining Arizona branches were retained and expanded the Bank's presence in the Lake Havasu/Kingman MSA as well as in other rural areas of the state.

According to the FDIC Deposit Market Share Report, dated June 30, 2011, NBA had deposits of \$3.8 billion. Approximately 86.7 percent of the Bank's loan portfolio was comprised of real estate loans, of which the predominant portion (65.4 percent) was secured by residential properties. Commercial comprised 34.5 percent of the portfolio.

NBA offers a full range of banking services, including lending, investment, trust, international and cash management products and services to small and medium size commercial enterprises and individual customers. NBA operates 72 full-service banking offices and 65 deposit-taking Automated Teller Machines (ATM) in Arizona. Although the bank's business strategy is not limited to any one business endeavor, its primary focus is commercial banking with an emphasis on lending to mid-size and small businesses, along with energy lending.

There are no known legal, financial, or other factors impeding the bank's ability to help meet credit needs in its communities. The Bank received a Satisfactory rating in its previous CRA examination dated August 31, 2006.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We reviewed home mortgage, small business, and small farm loans from January 1, 2006 through December 31, 2011. The mortgage loans reviewed were home purchase, home improvement, and home refinance loans. Multifamily loans were not a primary loan product and were not evaluated. However, we did consider multifamily loans meeting the CD definition as part of the evaluation of CD lending. Small farm loans were a primary loan product only in the AZ non-MSA areas and the Phoenix MSA AAs. Primary loan products for this review are products in which the Bank originated at least 25 loans within the AA during the evaluation period. We reviewed CD loans, investments, and services for the period August 31, 2006 through June 11, 2012.

### Data Integrity

Prior to this CRA evaluation, we performed two data integrity examinations to ensure the accuracy of the bank's publicly filed information on home mortgage loans, small loans to businesses, and small loans to farms. The data we reviewed was collected and reported by the bank over the evaluation period. The testing indicated no substantive inaccuracies in the data. Therefore, we concluded that the home mortgage loans, small loans to businesses, and small loans to farms data could be relied upon for this examination. Additionally, CD loans, investments, and services made or rendered during the evaluation period were reviewed to determine their eligibility for consideration. We included in this examination all activities found to meet the definition of CD. Finally, we reviewed the appropriateness of the bank's processes for collecting and reporting home mortgage, small business, and small farm loan data. We found no substantive deficiencies in these processes.

### Selection of Areas for Full-Scope Review

We performed full-scope reviews for four of the bank's AAs, including the Phoenix-Mesa-Scottsdale (Phoenix) MSA, Tucson MSA, Prescott MSA, and AZ non-MSA areas. These areas contained the largest percentage of deposits and loans with the state. Combined, these areas accounted for 79.2 percent of total bank deposits, as of June 30, 2011, and 78.6 percent of NBA's combined reportable loans as of December 31, 2011.

### Ratings

NBA's overall CRA rating is a blend of its performance under the Lending, Investment, and Service Tests. Under each of those tests, performance in the full-scope AAs carried the most weight.

Additionally, when evaluating the bank's performance under the Lending Test, we placed a higher value on the bank's distribution of small business loans than the distribution of home mortgage loans. Within the home mortgage loan category, greater weight was placed on home purchase and home refinance loans, with home improvement loans receiving substantially less weight. We placed emphasis on small business lending due to its being the bank's primary lending focus and an expressed credit need in all AAs. Secondary emphasis

was placed on home mortgage loan performance due to the identified community needs for affordable housing.

## **Community Contacts**

We conducted contacts with four community organizations within the four full-scope AAs to identify community needs. One is a statewide community development corporation that provides education, social services, economic development, and housing. One is a nonprofit that helps families by increasing the availability of affordable housing and stabilizing neighborhoods in the areas hardest hit by the housing crisis. Another is a nonprofit that partners with working low- and moderate-income (LMI) families to construct, using sweat equity, and finances their own homes with zero interest mortgages. The last organization has two missions: to provide home ownership and affordable housing for LMI individuals; and to help ex-offenders and veterans find transitional housing and provide other social services including substance abuse counseling and other services targeted to the homeless. According to these contacts, some of the most pressing financial needs and opportunities for financial institutions in the full-service AAs are as follows:

- Provide mortgage loans for new purchasers, including LMI individuals;
- Help finance rehabilitation costs;
- Lending to small businesses;
- Provide financial literacy training to LMI families;
- Provide no fee checking accounts;
- Provide educational outreach programs to individuals that have not traditionally dealt with financial institutions because of culture or other reasons;
- Provide lower cost accounts to encourage the unbanked segment of the population to develop banking relationships and enter the mainstream economy; and
- Provide financial support for affordable housing programs.

## **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.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

Further, section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) assigns to the Consumer Financial Protection Bureau (CFPB) exclusive examination authority, and primary enforcement authority, to ensure compliance by banks and FSAs with Federal consumer financial laws, if the bank or FSA has more than \$10 billion in assets. The CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the Federal consumer financial laws.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test in Arizona is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the Phoenix MSA is excellent, the Tucson MSA is good, and the Prescott MSA and AZ non-MSA are adequate.

#### Lending Activity

The bank's overall lending activity in the State of Arizona is good. This is primarily based on strong competition from several nationwide lenders in the bank's AAs and weak economic conditions during the evaluation period. In performing our analysis, greater weight was placed on the comparison of NBA's rankings to similarly situated institutions. Additionally, greater weight was placed on the bank's small business lending.

Refer to Tables 1 Lending Volume and Other Products in the State of Arizona section of Appendix C for the facts and data used to evaluate the bank's lending activity.

#### *AZ non-MSA*

Lending activity in the AZ non-MSA is good.

In the combined AZ non-MSA AA, NBA has a deposit market share of 18.1 percent and ranked third among fourteen depository institutions. For small loans to businesses, NBA ranked 4<sup>th</sup> among 45 lenders with an 8.8 percent market share. The three banks ahead of NBA dominated the market with a combined market share of 63.5 percent. Individual market shares of these banks ranged from 11.1 to 36.4 percent. For home purchase lending there are 156 lenders in the AA reflecting strong competition. NBA ranked 13<sup>th</sup> in home purchase lending with a 1.6 percent market share, 2<sup>nd</sup> in home improvement lending with a 10.7 percent market share, and 13<sup>th</sup> in home refinance lending with 1.32 percent market share. There are 218 lenders that made home refinance loans in the AA.

#### *Phoenix MSA*

Lending activity in the Phoenix MSA is good.

In this AA, NBA has a deposit market share of 2.2 percent and ranked sixth among 61 depository institutions. For home purchase and home refinance lending there are 568 lenders in the AA reflecting strong competition. Many of these lenders do not have a depository presence. For small loans to businesses, NBA ranks 9<sup>th</sup> with a 1.6 percent market share among 169 lenders. Three nationwide credit card lenders dominated the market with a combined market share of 68 percent. For small loans to farms, NBA ranks 7<sup>th</sup> out of 25 lenders with a market share of 1.1 percent. NBA ranked 63<sup>rd</sup> in home purchase lending with

minimal market share, 22<sup>nd</sup> in home improvement lending with a 0.87 percent market share, and 61<sup>st</sup> in home refinance lending with minimal market share.

### *Prescott MSA*

Lending activity in the Prescott MSA is good.

In this AA, NBA has a deposit market share of 14.8 percent and ranked third among fifteen depository institutions. For small loans to businesses, NBA ranked 3<sup>rd</sup> behind three credit card lending banks with a 9.8 percent market share. The three nationwide credit card lenders dominated the market with a combined market share of 63 percent. Individual market shares of these banks ranged from 16.8 to 29 percent. For home purchase lending there are 164 lenders in the AA reflecting strong competition. Again, many of these lenders do not have a depository presence. NBA ranks 10<sup>th</sup> in home purchase lending with a 2.3 percent market share, 2<sup>nd</sup> in home improvement lending with an 8.7 percent market share, and 12<sup>th</sup> in home refinance lending with 1.4 percent market share. There are 198 home refinance lenders in the AA.

### *Tucson MSA*

Lending activity in the Tucson MSA is good.

In this AA, NBA has a deposit market share of 4.5 percent and ranks 6<sup>th</sup> among nineteen depository institutions. For small loans to businesses, NBA ranked 7<sup>th</sup> among 72 lenders with a 3.4 percent market share. The top five banks dominated the market with a combined market share of 79.6 percent. Individual market shares of these banks ranged from 3.7 to 34.4 percent.

For home purchase lending there are 241 lenders in the AA reflecting strong competition. For all home mortgage products, NBA had minimal market shares in this AA.

## **Distribution of Loans by Income Level of Geography**

Overall, the geographic distribution of the bank's lending is good. As noted previously, more weight was placed on the bank's small loans to businesses with secondary consideration to home purchase and home refinance loan performance. Small loans to farms were only considered in the Phoenix MSA and AZ non-MSA and minimal weight was given to those loans in the evaluation of the bank's performance.

### ***Home Mortgage Loans***

Overall, the geographic distribution of home mortgage loans is poor.

Refer to Tables 2, 3, 4, and 5 in the State of Arizona section of Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

*AZ non-MSA*

The geographic distribution of all home mortgage products in the AZ non-MSA is very poor. The bank did not originate or purchase any home mortgage loans in low-income geographies. The percentage of loans in moderate-income geographies was significantly below the percentage of owner-occupied units in these geographies. The bank's market share in moderate-income geographies for home refinance loans was significantly below the bank's overall market share. The bank did not achieve any market share in moderate-income geographies for home purchase and home improvement loans.

*Phoenix MSA*

The overall geographic distribution of home mortgage loans in the Phoenix MSA is poor.

The geographic distribution of home purchase loans is adequate. The percentage of loans in both low- and moderate-income geographies was below the percentage of owner-occupied units in these geographies. With an overall market share of 0.19 percent, an analysis of lending in low- and moderate-income geographies was not meaningful.

The geographic distribution of home improvement loans is poor. The percentage of loans in moderate-income geographies was lower than the percentage of owner-occupied units in these geographies. The bank did not originate any loans in low-income geographies. With an overall market share of 0.87 percent, an analysis of lending in low- and moderate-income geographies was not meaningful.

The geographic distribution of home refinance loans is poor. The percentage of loans in both low- and moderate-income geographies was substantially below the percentage of owner-occupied units in these geographies. With an overall market share of 0.16 percent, an analysis of lending in low- and moderate-income geographies was not meaningful.

*Prescott MSA*

The overall geographic distribution of home mortgage loans in the Prescott MSA is adequate.

The geographic distribution of home purchase loans is poor. The percentage of loans in moderate-income geographies was significantly below the percentage of owner-occupied units in these geographies; however, the bank's market share exceeds its overall market share and is considered excellent.

The geographic distribution of home improvement loans is good. The percentage of loans in moderate-income geographies exceeds the percentage of owner-occupied units in these geographies. However, the bank's market share was significantly below its overall market share and is considered very poor.

The geographic distribution of home refinance loans is adequate. The percentage of loans in moderate-income was near to the percentage of owner-occupied units in these geographies. However, the bank's market share was significantly below its overall market share and is considered very poor.

*Tucson MSA*

The overall geographic distribution of home mortgage lending in the Tucson MSA is good.

The geographic distribution of home purchase loans is excellent. The percentage of loans in both low- and moderate-income geographies exceeds the percentage of owner-occupied units in these geographies. With an overall market share of 0.43 percent, an analysis of lending in low- and moderate-income geographies was not meaningful.

The geographic distribution of home improvement loans is adequate. The percentage of loans in moderate-income geographies exceeds the percentage of owner-occupied units in these geographies. The bank did not make any loans in low-income geographies. With an overall market share of 0.86 percent, an analysis of lending in low- and moderate-income geographies was not meaningful.

The geographic distribution of home refinance loans is poor. The percentage of loans in low-income geographies was significantly below the percentage of owner-occupied units in these geographies. The percentage of loans in moderate-income was below the percentage of owner-occupied units in these geographies. With an overall market share of 0.32 percent, an analysis of lending in low-and moderate-income geographies was not meaningful.

***Small Loans to Businesses***

Overall, the geographic distribution of small loans to businesses is excellent.

Refer to Table 6 in the State of Arizona section of Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

*AZ non-MSA*

The geographic distribution of the bank's small loans to businesses is very poor. We placed more weight on performance in moderate-income geographies given that less than one percent of businesses are located in low-income geographies. The bank's market share in moderate-income geographies was significantly below the bank's overall market share.

*Phoenix MSA, Prescott MSA, and Tucson MSA*

The geographic distribution of the bank's small loans to businesses in these AAs is excellent. The portion of loans made in low- and/or moderate-income geographies exceeded the portion of businesses in those geographies, reflecting excellent performance. Additionally, the market share of small loans to businesses in both low- and/or moderate-income geographies exceeded the bank's overall market share, indicating excellent performance.

***Small Loans to Farms***

Overall, the geographic distribution of small loans to farms is adequate. As noted earlier, loans to farms were only analyzed in the Phoenix MSA and AZ non-MSA.

Refer to Table 7 in the State of Arizona section of Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

#### *AZ non-MSA*

The geographic distribution of the bank's small loans to farms is very poor. We placed more weight on lending in moderate-income geographies, given the low number of farms located in low-income geographies. The percentage of loans made in moderate-income geographies was significantly below the percentage of farms located in these geographies. The bank's market share was significantly below its overall market share and is considered very poor.

#### *Phoenix MSA*

The geographic distribution of the bank's small loans to farms is good. The percentage of loans made in moderate-income geographies was near to the percentage of farms located in these geographies. The bank did not originate any farm loans in low-income geographies; however, a very low number of farms are located in these areas. As such, greater weight was placed on the bank's performance in the moderate-income CTs. The bank's market share in moderate-income geographies equaled the bank's overall market share and is considered excellent.

### **Lending Gap Analysis**

We reviewed summary reports and maps and analyzed NBA's home mortgage and small business lending activity over the evaluation period to identify any gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. All of the bank's AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any low- or moderate-income areas.

### **Inside/Outside Ratio**

This ratio is a bank-wide calculation and is not calculated by individual AA. Analysis is limited to bank originations and purchases and does not include any affiliate data. For the evaluation period, a substantial majority of all loan products were made inside the bank's AAs (98.2 percent). The percentage in number of loans made inside the AAs by loan type are as follows: small loans to businesses (98.6 percent), home improvement loans (98.1 percent), home refinance loans (98.5 percent), and home purchase loans (97.6 percent), and small loans to farms (91.9 percent).

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution of the bank's lending is poor. As noted earlier, we gave most weight for loans to small businesses. Additionally, the high poverty levels of the MSAs, high unemployment rates, depressed housing values, and other economic factors during the evaluation were factored into our conclusion.

## ***Home Mortgage Loans***

The overall borrower distribution of home mortgage lending is adequate.

Refer to Tables 8, 9 and 10 in the State of Arizona section of Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### *AZ non-MSA*

The overall distribution of home mortgage loans in the AZ non-MSA area is poor.

The overall distribution of home purchase loans to low- and moderate-income borrowers is poor. The portion of loans to low- and moderate-income borrowers was significantly below the percentage of such families. The bank's market share to low-income borrowers was below the bank's overall market share. The bank's market share to moderate-income borrowers was near to the bank's overall market share.

The overall distribution of home improvement loans to low- and moderate income borrowers is good. The portion of loans to low- and moderate-income borrowers was below the percentage of such families. The bank's market share to low-and moderate-income borrowers exceeded the bank's overall market share.

The overall distribution of home refinance loans to low- and moderate-income borrowers is poor. The portion of loans to low- and moderate-income borrowers was significantly below the percentage of such families. The bank's market share to low-income borrowers exceeded the bank's overall market share. The bank's market share to moderate-income borrowers substantially meets the bank's overall market share.

### *Phoenix MSA*

The overall borrower distribution of home mortgage loans in the Phoenix MSA is good.

The overall distribution of home purchase loans to low- and moderate-income borrowers is excellent. The portion of loans to low-income borrowers was near to the percentage of low-income families. The portion of loans made to moderate-income borrowers exceeded the percentage of moderate-income families. With an overall home purchase loan market share of 0.20 percent, an analysis of market share performance was not meaningful.

The distribution of home improvement loans to low- and moderate-income borrowers is excellent. The portion of loans to low-income borrowers was near to the percentage of low-income families. The portion of loans to moderate-income borrowers exceeded the percentage of moderate-income families. With an overall home improvement loan market share of 0.83 percent, an analysis of market share performance was not meaningful.

The overall distribution of home refinance loans to low- and moderate-income borrowers is adequate. The portion of loans to low-income borrowers was significantly below the percentage of low-income families. The portion of loans to moderate-income borrowers was



below the percentage of moderate-income families. With an overall home refinance loan market share of 0.19 percent, an analysis of market share performance was not meaningful.

### *Prescott MSA*

The overall borrower distribution of home mortgage lending in the Prescott MSA is adequate.

The overall distribution of home purchase loans to low- and moderate-income borrowers is poor. The portion of loans to low-income borrowers was significantly below the percentage of low-income families. The portion of loans to moderate-income borrowers was below the percentage of moderate-income families. The bank's market share to low-income borrowers was significantly below the bank's overall market share. The bank's market share to moderate-income exceeded the bank's overall market share.

The overall distribution of home improvement loans to low- and moderate-income borrowers is good. The portion of loans to low-income borrowers was below the percentage of low-income families. The portion of loans made to moderate-income borrowers exceeded the percentage of moderate-income families and was considered excellent. The bank's market share to moderate-income exceeded the bank's overall market share. The bank did not achieve market share to low-income borrowers.

The overall distribution of home refinance loans to low- and moderate-income borrowers is adequate. The portion of loans to low-income borrowers was significantly below the percentage of low-income families. The portion of loans made to moderate-income borrowers was below the percentage of moderate-income families and was considered adequate. The bank's market share to low-income borrowers substantially met the bank's overall market share. The bank's market share to moderate-income borrowers exceeds the bank's overall market share and was considered excellent.

### *Tucson MSA*

The overall borrower distribution of home mortgage lending in the Tucson MSA is adequate.

The overall distribution of home purchase loans to low- and moderate-income borrowers is excellent. The portion of loans to low-income borrowers was below the percentage of low-income families and considered good. The portion of loans made to moderate-income borrowers was near to the percentage of moderate-income families and was considered excellent. With an overall market share of 0.53 percent, an analysis of market share performance was not meaningful.

The overall distribution of home improvement loans to low- and moderate income borrowers is good. The portion of loans to low-income borrowers exceeded the percentage of low-income families and considered excellent. The portion of loans made to moderate-income borrowers was below the percentage of moderate-income families and was considered adequate. With an overall market share of 0.92 percent, an analysis of market share was not meaningful.

The overall distribution of home refinance loans to low- and moderate-income borrowers is very poor. The portion of loans to low- and moderate-income borrowers was significantly

below the percentage of such families, and is considered poor and very poor, respectively. With an overall market share of 0.43 percent, an analysis of market share was not meaningful.

### ***Small Loans to Businesses***

The overall borrower distribution of small loans to businesses is poor.

Refer to Table 11 in the State of Arizona section of Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

#### *AZ non-MSA, Phoenix MSA, Prescott MSA, and Tucson MSA*

In all the full-scope AAs, the distribution of small loans to businesses of different sizes is poor. The percentage of small loans to small businesses (businesses with gross annual revenue of \$1 million or less) was significantly below the percentage of small businesses. The bank's market share to businesses with revenue of \$1 million or less was significantly below its overall market share.

### ***Small Loans to Farms***

Overall, the borrower distribution of small loans to farms is adequate. As noted earlier, loans to farms were only analyzed in the Phoenix and AZ non-MSA AAs. Lending to farms received little weight in the overall lending performance in the State of Arizona.

Refer to Table 12 in the State of Arizona section of Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

#### *AZ non-MSA*

The distribution of loans to small farms (revenues of \$1 million or less) is below the percentage of small farms. The bank's market share to small farms exceeds the bank's overall market share.

#### *Phoenix MSA*

The distribution of loans to small farms (revenues of \$1 million or less) is significantly below the percentage of small farms. The bank's market share to small farms exceeds the bank's overall market share.

### **Community Development (CD) Lending**

NBA's level of CD lending had a significantly positive impact on its overall lending performance in the Phoenix and AZ non-MSA AAs. CD lending was neutral in the Prescott and Tucson MSAs.

Refer to Table 1 Lending Volume in the State of Arizona section of Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

#### *AZ non-MSA*

CD lending had a significantly positive impact on lending performance in the AZ non-MSA. NBA reported eight loans totaling \$17.9 million. The volume represents 17.3 percent of allocated Tier One capital. By dollar volume, 66 percent provided CD services for LMI areas or residents, 30 percent provided affordable housing for LMI residents, and 4 percent provided economic development. The most notable is an \$8 million loan to construct a medical facility located in a distressed/underserved middle-income geography.

#### *Phoenix MSA*

CD lending had a significantly positive impact on lending performance in the Phoenix MSA. NBA reported three loans totaling \$35.5 million. The volume represents 16 percent of allocated Tier One capital. By dollar volume, 98 percent provided economic development and 2 percent provided affordable housing for LMI residents. The most notable of these is a \$25 million participation in a multi-use project in downtown Phoenix that is part of the city's redevelopment plan. The project will create permanent jobs for low- and moderate-income individuals.

#### *Prescott MSA*

CD lending had a neutral impact on lending performance the Prescott MSA. NBA did not originate any CD loans in the Prescott AA during the evaluation period.

#### *Tucson MSA*

CD lending had a neutral impact on lending performance the Tucson MSA. NBA reported two loans totaling \$3.8 million. The volume represents 4.4 percent of allocated Tier One capital. These two loans were made to organizations providing community services to LMI individuals.

### **Product Innovation and Flexibility**

NBA's product flexibility had a positive impact on its Lending Test conclusions. The bank offers flexible loan products directed towards affordable housing. Some of the products for affordable housing include HUD Section 184, Community Lending Product (CLP), and various FHA programs.

HUD Section 184 provides access to home mortgage financing to Native Americans. Some features of the program include a low down payment (1.25-2.25 percent depending on loan size), market interest rates not tied to credit scores, and no monthly mortgage insurance. During the evaluation period, the bank originated 25 loans totaling \$4.9 million.

The CLP is a bank portfolio product. No mortgage insurance is required with this product. During the evaluation period, the bank originated 392 loans totaling \$50.3 million.

NBA also offers various FHA loan products, including those offered through the Rural Bond and Maricopa County Bond Programs. During the evaluation period, the bank originated 352 loans totaling \$37.1 million

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Lending Test in the Flagstaff and Yuma MSAs is not inconsistent with the bank's overall "High Satisfactory" performance under the Lending Test in Arizona. In the Lake Havasu MSA, the bank's performance is weaker than the bank's overall performance in the state. The weaker performance was the result of weaker geographic and borrower distribution of home mortgage loans. The weaker performance did not impact the overall rating. Refer to the Tables 1 through 13 in the State of Arizona section of Appendix C for the facts and data that support these conclusions.

### **INVESTMENT TEST**

The bank's performance under the Investment Test is rated "Outstanding." Based on a full-scope review, the bank's performance in the Phoenix MSA and Tucson MSA is excellent. The bank's performance in the Prescott MSA and AZ non-MSA AA is good. Performance in the limited-scope AAs did not impact the bank's Investment Test rating.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

#### *AZ non-MSA*

Overall, the bank's Investment Test performance in the AZ non-MSA AA is good. During the evaluation period, NBA originated 7 investments in the AZ non-MSA totaling \$4.4 million. This represented approximately 4.2 percent of allocated Tier One Capital for the AA and is considered good.

The bank's responsiveness to the CD needs in the AA is excellent given the area is mostly rural and there are limited investment opportunities for financial institutions. In terms of total dollar amount, 74.1 percent of the bank's investments and grants were made to organizations focused on activities that promote economic development. This includes \$3.2 million in investments focused on activities that promote economic development. The remaining investments and grants were made to organizations focused on affordable housing and community services. Significant investments made in the AA were a \$3.2 million municipal bond that allowed the City of Holbrook located in an Enterprise Zone to reduce debt and retain jobs.

Funding for affordable housing and community services targeted to LMI individuals is two of the main identified CD needs in the AA. The nonprofit organizations located in the AA provide affordable housing, community services to LMI families and economic development activities.

### *Phoenix MSA*

Overall, the bank's investment performance in the Phoenix MSA is excellent. During the evaluation period, NBA originated 69 investments in the Phoenix MSA totaling \$39.3 million. This represented approximately 17.8 percent of allocated Tier One Capital. In addition, we considered the ongoing impact that investments made prior to the current evaluation period had within the AA. The remaining balance on five prior period investments as of the date of our examination was \$1.4 million. When considering both current and prior period investments, the total of \$40.7 million represents approximately 18.4 percent of allocated Tier One Capital for the AA, which is considered excellent.

The bank's responsiveness to the CD needs in the AA is excellent. In terms of total dollar amount, 87 percent of the bank's investments and grants were made to organizations focused on affordable housing. This includes \$33.8 million in mortgage-backed securities where the underlying mortgages were made to LMI borrowers. The remaining investments and grants were made to organizations focused on community service and economic development. Significant investments in this AA included a \$4 million Toltec Elementary School Revenue Bond. This bond will allow for the construction of a new facility and the purchase of pupil transportation in Pinal County which has been designated an Enterprise Zone by the Arizona Department of Commerce. Toltec Elementary school is located in a moderate-income area and has 75.4 percent of the students qualifying for free or reduced school lunch.

Funding for affordable housing is one of the main identified CD needs in the AA. There are ample investment opportunities for financial institutions in the AA. Community development corporations (CDC), community development financial institutions (CDFI), and many nonprofit organizations are located in and serve the greater Phoenix area. These organizations provide affordable housing and community services to LMI families, economic development activities, and small business financial and educational support.

### *Prescott MSA*

Overall, the bank's Investment Test performance in the Prescott MSA AA is good. During the evaluation period, NBA originated 14 investments in the Prescott MSA totaling \$3.7 million. This represented approximately 5.4 percent of allocated Tier One Capital. In addition, we considered the ongoing impact that investments made prior to the current evaluation period had within the AA. The remaining balance on one prior period investment as of the date of our examination was \$174 thousand. When considering both current and prior period investments, the total of \$3.9 million represents approximately 5.7 percent of allocated Tier One Capital for the AA, which is considered good.

The bank's responsiveness to the CD needs in the AA is good. In terms of total dollar amount, 61.6 percent of the bank's investments and grants were made to organizations focused on community services targeted to LMI borrowers. The remaining investments and grants were made to organizations focused on affordable housing and economic development. Significant

investments made in the AA were \$2.3 million in Qualified School Construction Bonds (QSCB). NBA's investment enhanced several schools in the Chino Valley School District and Cottonwood/Oak Creek Unified School District #6 where more than 71 percent of the students qualify for free or reduced school lunch.

Providing community services targeted to LMI Individuals such as financial literacy training and a no fee checking accounts is one identified CD need in the AA. There are sufficient investment opportunities for financial institutions in the AA. Many nonprofit organizations are located in and serve the Prescott AA. These organizations provide affordable housing and community services to LMI families as well as economic development activities.

#### *Tucson MSA*

Overall, the bank's investment performance in the Tucson MSA is excellent. During the evaluation period, NBA originated 30 investments in the Tucson MSA totaling \$16.4 million. This represented approximately 18.7 percent of allocated Tier One Capital. In addition, we considered the ongoing impact that investments made prior to the current evaluation period had within the AA. The remaining balance on two prior period investments as of the date of our examination was \$910 thousand. When considering both current and prior period investments, the total of \$17.3 million represents approximately 19.7 percent of allocated Tier One Capital for the AA and is considered excellent.

The bank's responsiveness to the CD needs in the AA is excellent. In terms of total dollar amount, 86 percent of the bank's investments and grants were made to organizations focused on affordable housing. This includes \$14 million in mortgage-backed securities where the underlying mortgages were made to LMI borrowers. The remaining investments and grants were made to organizations focused on community service and economic development. Significant investments included \$2.1 million in QSCBs which was created under the American Recovery and Reinvestment Act that President Obama signed into law in February of 2009. NBA's QSCB investment enhanced 20 schools in the Sunnyside Unified School District where over 70 percent of the students qualify for free or reduced school lunch.

Funding for small businesses for the purpose of business expansion and acquiring assets such as land is one of the main identified CD needs in the AA. There are ample investment opportunities for financial institutions in the AA. Several nonprofit organizations are located in and serve the greater Tucson area. These organizations provide affordable housing and community services to LMI families as well as promote economic development activities.

The bank also made an investment to an organization in the State of Arizona, but not located within any of the AAs in the state. This investment, while not located directly within the bank's AAs, has the potential to benefit one or more of the AAs in the state. In the prior evaluation period, one investment totaling \$849 thousand was made and remains outstanding to an organization in the Bank's broader regional area with potential to benefit the AAs.

#### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance in the Flagstaff MSA and Yuma MSA is not inconsistent with the bank's overall "Outstanding" performance under the Investment

Test and is considered excellent. However, performance in the Lake Havasu MSA was weaker due to a lower level of investments and is considered poor. The combined performance in the limited-scope AAs was not significant enough to impact the overall rating for the bank. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

NBA's performance under the Service Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the Tucson MSA is excellent, and in the Phoenix MSA is good. In the AZ non-MSA AAs and Prescott MSA, the bank's performance is adequate.

### **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

#### *AZ non-MSA*

NBA's branch distribution in the AZ non-MSA is adequate. Branches are accessible to geographies and individuals of different income levels in the AA. There are no branches located in low-income CTs, but the percentage of the population in low-income CTs is very low. There are no branches in moderate-income tracts. This does not approximate the percentage of the population in moderate-income CTs. However, it should be noted that this AA covers a very large geographic and sparsely populated area. Additionally, a large portion of the land in this area is owned by the federal government. These factors present the bank with challenges in providing highly accessible banking products and services. Branch openings and closings have not affected the overall accessibility of the bank's delivery systems. Branch services and hours did not vary in a way that would inconvenience portions of the AA, particularly LMI individuals.

#### *Phoenix MSA*

NBA's branch distribution in the Phoenix MSA is good. Branches are accessible to geographies and individuals of different income levels in the AA. NBA has no branches or ATMs in low-income CTs, but the percentage of the population in low-income CTs is very low. Accessibility in low-income tracts improved significantly after considering near-to branches. NBA has two branches that are near to low-income CTs. Near-to branches are those located in middle- or upper-income CTs that are within one half mile from a low- or moderate-income CT. The distribution of branches and ATMs in moderate-income CTs is below the percentage of the population in moderate-income geographies. Branch openings and closings have generally not adversely affected the overall accessibility of the bank's delivery systems. During the rating period, the bank closed one branch located in a moderate-income CT. The closure was due to consolidations related to the merger with Stockman's Bank. Branch services and hours did not vary in a way that would inconvenience portions of the AA, particularly LMI individuals.

*Prescott MSA*

The geographic distribution of branches in the Prescott AA is adequate. Branches are reasonably accessible to geographies and individuals of different income levels in the AA. There are no low-income CTs in the AA. There are no branches in moderate-income CTs, but the percentage of the population in moderate-income CTs is very low. Branch openings and closings have generally not adversely affected the overall accessibility of the bank's delivery systems. During the rating period, the bank closed one branch located in a moderate-income CT due to lack of profitability. Branch services and hours did not vary in a way that would inconvenience portions of the AA, particularly LMI individuals.

*Tucson MSA*

NBA's branch distribution in the Tucson AA is excellent. Branches are readily accessible to geographies and individuals of different income levels in the AA. The distribution of branches and ATMs in low-income CTs exceeds the percentage of the population in low-income CTs. The percentage of branches and ATMs in moderate-income CTs exceeds the percentage of the population in moderate-income CTs. Branch openings and closings have generally not adversely affected the overall accessibility of the bank's delivery systems. During the rating period, two branches were closed in moderate-income CTs due to lease expirations and management's business decisions to relocate them. Branch services and hours did not vary in a way that would inconvenience portions of the AA, particularly LMI individuals.

**Community Development Services**

NBA employees in the Phoenix MSA and the Tucson MSA provided an excellent level of community development services. NBA employees in the AZ non-MSA and Prescott MSA provided a good level of community development services. Bank employees participated in a variety of organizations and partnerships, some in leadership roles, that benefited LMI individuals, promoted economic development, and provided affordable housing. They also provided technical assistance on financial and banking related matters to numerous community groups, low- and moderate-income persons and families, and small businesses.

*AZ non-MSA*

In the AZ non-MSA, eight Bank employees provided their expertise to ten different community development organizations. Examples of NBA's community development services are listed below.

- Federal Home Loan Bank (FHLB) Affordable Housing Grant Programs - NBA is a top user of the down payment assistance programs and affordable housing grant programs offered through FHLB. One NBA employee manages this process full time under the direction of the CRA officer. NBA partnered with two different nonprofit sponsor partners in the AA to utilize FHLB's Affordable Housing Program (AHP). The grants obtained for affordable housing projects resulted in forty-nine rental and thirty-eight ownership units of affordable housing in the AA.



- Various local Economic Development Councils - Bank employees served on the board and on committees for local economic development councils whose primary purpose was community development.

In addition to the CD services provided in this area, the bank has seven branches in distressed or underserved middle-income CTs. Six of these areas are considered distressed due to high poverty levels. These branches illustrate the bank's continued commitment to provide banking products and services to areas under severe economic distress.

### *Phoenix MSA*

In the Phoenix MSA, 28 NBA employees provided their expertise to 45 different community development organizations and programs. Examples of NBA's community development services are listed below.

- Federal Home Loan Bank (FHLB) Affordable Housing Grant Programs - NBA partnered with ten different housing nonprofit agencies in the AA to utilize FHLB's Workforce Initiative Subsidy for Homeownership (WISH) and Individual Development and Empowerment Account (IDEA) programs, to obtain matching grant down payment assistance for three hundred ninety-eight units of affordable housing in the AA since 2006. NBA also partnered with fourteen different nonprofit sponsor partners to utilize FHLB's AHP. Grants were obtained to develop 14 affordable housing projects, resulting in 87 rental and 521 ownership units of affordable housing in the AA.
- Troubled Debt Restructure Program – NBA established a Loss Mitigation department to work with residential real estate customers who were experiencing financial hardships and prevent foreclosures. The program primarily benefited LMI borrowers. Between 2008 and 2011, NBA restructured loans for 10 low-income borrowers and 13 moderate-income borrowers in the AA.
- Volunteer Income Tax Assistance (VITA) - In 2012, NBA partnered with the IRS and Valley of the Sun United Way to provide free tax help to LMI individuals who cannot prepare their own tax returns. NBA employees completed and filed more than 100 tax returns for LMI taxpayers in the AA.

### *Prescott MSA*

In the Prescott MSA, three NBA employees provided their expertise to four different community development organizations. Examples of NBA's community development services are listed below.

- FHLB Affordable Housing Grant Programs - NBA partnered with three different nonprofit sponsor partners to utilize FHLB's AHP to obtain grants for affordable housing projects, resulting in twenty-one ownership units of affordable housing in the AA.
- Arizona Saves – Employees served as monthly instructors for this entity that provides no-cost financial education to LMI individuals on topics such as healthy money management.

### *Tucson MSA*

In the Tucson MSA, 12 NBA employees provided their expertise to 14 different community development organizations. Examples of NBA's community development services are listed below.

- FHLB Affordable Housing Grant Programs - NBA partnered with six different housing nonprofit agencies in the AA to utilize FHLB's WISH and IDEA programs, to obtain matching grant down payment assistance for 55 units of affordable housing in the AA since 2006. NBA partnered with three different nonprofit sponsor partners to utilize FHLB's AHP. The grants obtained for affordable housing projects resulted in the development of ninety ownership units of affordable housing in the AA.
- VITA - NBA employees completed and filed more than 50 tax returns for LMI taxpayers in the AA.
- Habitat for Humanity - Bank employees provided assistance with the applicant approval process for this affordable housing organization.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Yuma MSA AA is stronger than the bank's overall "High Satisfactory" performance under the Service Test and is considered excellent. In the Flagstaff MSA and the Lake Havasu MSA AAs, the bank's performance is weaker than the bank's overall performance and is adequate. Performance differences in these areas are not significant enough to impact the bank's overall rating. Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 1/1/06 to 12/31/11 Investment and Service Tests and CD Loans: 8/31/06 to 6/11/12	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
<b>National Bank of Arizona Phoenix, Arizona</b>	Home Mortgage, Home Purchase, Home Improvement, Home Refinance loans, Small Business, and Small Farm loans; Community Development Loans, Investments, and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<b>Zions Management Services Company</b>	Affiliate	Credit Cards
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
AZ non-MSA	Full-Scope	Apache, Cochise, Gila, Graham, Greenlee, LaPaz, Navajo, and Santa Cruz Counties
Phoenix MSA	Full-Scope	Maricopa and Pinal Counties
Prescott MSA	Full-Scope	Yavapai County
Tucson MSA	Full-Scope	Pima County
Flagstaff MSA	Limited-Scope	Coconino County
Lake Havasu MSA	Limited-Scope	Mohave County
Yuma MSA	Limited-Scope	Yuma County

## Appendix B: Market Profiles for Full-Scope Areas

### AZ non-MSA AA

Demographic Information for Full-Scope Area: AZ non-MSA Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	97	4.12	26.80	50.52	18.56	0.00
Population by Geography	436,115	4.22	26.40	50.69	18.69	0.00
Owner-Occupied Housing by Geography	106,470	3.21	22.28	52.12	22.40	0.00
Business by Geography	31,951	0.42	13.04	59.64	26.90	0.00
Farms by Geography	1,161	0.17	8.53	65.98	25.32	0.00
Family Distribution by Income Level	108,827	23.28	17.40	19.35	39.98	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	44,265	6.01	34.36	47.80	11.83	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		33,823 44,500 21%	Median Housing Value Unemployment Rate (April 2012 US Labor Statistics)		97,219 12.5%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census, 2010 HUD updated MFI, April 2012 Bureau of Labor Statistics, and 2007-2009 Arizona's Housing at a Glance from the Arizona Department of Housing

This AA consists of eight counties and includes Apache, Navajo, Gila, Graham, Greenlee, Cochise, Santa Cruz, and La Paz Counties. With the exception of La Paz, located in western Arizona, all other counties are contiguous and located in eastern Arizona. As of June 30, 2011, the Bank had \$640 million in deposits in this AA, representing 17.0 percent of total deposits in the State of Arizona. There are 14 FDIC insured financial institutions in the AA with 80 offices. NBA's main competitors include JPMorgan Chase, NA, Wells Fargo Bank, NA, Bank of America, NA, and Bank of the West. NBA operates 17 branches and 17 deposit taking ATMs in this AA.

Based on the 2000 census, the population of the AZ non-MSA was 436 thousand. Since 2000, the AA has seen moderate growth ranging from 3.0 percent to 23.6 percent, averaging 9.5 percent. However, Greenlee declined 1.3 percent. Cochise and Navajo Counties represent approximately 50.0 percent of the population in the AA. Within the AA, 23.3 percent of the families in the AA were low income, earning a median annual income of \$22 thousand or less and 17.4 percent of the families were moderate-income, earning an annual income of \$36 thousand or less. Approximately 21.0 percent of all households in the AA had incomes below the poverty level, and 6.7 percent of households received public assistance.

## Employment and Economic Factors

According to the Bureau of Labor Statistics, as of April 2012, the unemployment rate for the AA ranged from 8.2 percent to 18.3 percent. Some of the areas are sparsely populated. The statewide unemployment rate was 7.5 percent.

The AA is primarily rural with most of the population residing in smaller towns. A large portion of the AA includes Native American Indian Reservation land, federal public land, and land of the US Forest Service and the US Bureau of Land Management. The Native Indian Nations include the Hopi and Navajo Nations in Apache and Navajo Counties, the Fort Apache Indian Reservation, Zuni Pueblo and San Carlos Apache Reservations in Gila and parts of Graham Counties, and the Colorado River Indian Communities in La Paz County.

Some communities and part of communities have been designated “colonias” by the Department of HUD (HUD). HUD and USDA Rural define colonias as non-metropolitan, unincorporated neighborhoods and incorporated communities within 150 miles of the US-Mexico border. These areas lack sewer, water, decent housing, or a combination of all three. These include the Counties of Cochise, Gila, Graham, Greenlee, La Paz, and Santa Cruz. Because the federal definition is so broad, colonias in Arizona represent a wide range of community types. For example, they include some tribal communities, long established mining towns, fast growing retirement communities, as well as rural utility districts and high poverty illegal subdivisions. All of Apache, Navajo, Graham, and Santa Cruz Counties are designated Enterprise Zones as well as most of Cochise and La Paz Counties. The primary goal of the Arizona enterprise zone program is to improve the economies of areas in the state with high poverty or unemployment rates. Thirty-seven CTs are designated as “Distressed and Underserved Middle Market Tracts” by HUD as of 2011, and all are located in this AA.

In Apache County, major industries include private service including a hospital and Indian Health Services. In Cochise County, Fort Huachuca is the County’s top employer and has held this distinction every year since 1999. In Gila County, approximately 50.0 percent is federal public land and the major economic industries include mining, recreation, ranching, and tourism. In Graham County, approximately 36.0 percent of the land is Indian Reservation and the major economic industries include agriculture, tourism, mining and government, given the two prisons located in Safford. In Greenlee, mining remains the most important industry, although 77.1 percent of the land is controlled by the US Forest Service and the US Bureau of Land Management. In La Paz County, agriculture and tourism have become the leaders in the County’s economy given the 16.5 mile stretch of the Colorado River for water sports and recreation. In Navajo County, over half of the land is Indian Reservation. Principal industries are tourism, coal mining, manufacturing, timbering and ranching. In Santa Cruz, approximately 37.5 percent of the land is privately owned. International trade and tourism are important aspects of the economy. Nogales, the county’s largest city, serves as a major gateway between the US and Mexico. Other important industries include wholesale trade, transportation, and warehousing in support of international trade.

## Housing

Within the AA, 47.7 percent of the housing units are owner occupied and 17.8 percent are renter occupied in low income CTs and 51.0 percent of all owner occupied units and 21.3

percent of renter occupied units were located in moderate income CTs. Additionally, 82.7 percent of all single family (1-4 unit) homes and 0.5 percent of multifamily (5+) housing units were located in low income CTs and 72.7 percent of all 1-4 unit homes and 2.8 percent of 5+ housing units were located in moderate income CTs. According to the Arizona Department of Housing, the average median housing prices combined for the AA totaled \$97 thousand. The median prices ranged from \$69 thousand to \$180 thousand.

According to the industry's largest mortgage database, Core Logic's Loan Performance Servicing database, the April 2012 foreclosure rate in the State of Arizona was 3.5 percent which is below the national foreclosure rate of 4.3 percent. This database is comprised of approximately 41.3 million active first-lien mortgage loans for a total of \$7.0 trillion outstanding loan balances as of April 2012, representing approximately 85.0 percent of all mortgage loans in the US. Foreclosure rates are calculated using the outstanding loan balances for active first-lien mortgage loans. Comparing January 2009 to April 2012, for the State of Arizona, the foreclosure rate increased from 3.1 percent to 3.5 percent. However, over the review period, the foreclosure rate varied from a low of 3.0 percent in February 2009 to a high of 5.5 percent in December 2010. The national average foreclosure rate comparing January 2009 to April 2012, increased from 2.3 percent to 4.3 percent. Over the review period, the national foreclosure rate varied from a low of 2.3 percent in January 2009 to a high of 4.5 percent in January 2011.

**Phoenix MSA**

Demographic Information for Full-Scope Area: Phoenix-Mesa-Glendale MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	696	6.18	28.59	34.20	30.17	0.86
Population by Geography	3,251,876	4.89	30.55	36.18	28.36	0.01
Owner-Occupied Housing by Geography	812,085	1.63	24.02	39.20	35.14	0.00
Business by Geography	487,206	3.46	19.49	32.55	44.42	0.08
Farms by Geography	8,503	2.15	23.70	35.73	38.39	0.04
Family Distribution by Income Level	814,264	19.62	18.79	21.81	39.78	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	312,744	7.38	44.00	34.86	13.76	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		51,172 66,600 10%	Median Housing Value Unemployment Rate (April 2012 US Labor Statistics)		129,900 6.60%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI, April 2012 Bureau of Labor Statistics, 2012 National Association of Realtors

This AA consists of Maricopa and Pinal Counties and is the largest AA geographically for the bank. As of June 30, 2011, the Bank had \$1.4 billion in deposits in this AA, representing 36.5 percent of total deposits. There are 61 FDIC insured financial institutions in the AA with 933 offices. NBA’s main competitors include Wells Fargo Bank, NA, JPMorgan Chase, NA, Bank of America, NA, Compass Bank, M&I Marshall & Ilsley Bank, US Bank, NA, and New York Community Bank. NBA operates 26 branches and 21 deposit taking ATMs in this AA.

Based on the 2000 census, the population of the Phoenix MSA was 3.3 million. Since 2000, the AA has seen strong growth averaging 28.9 percent. Maricopa County has added more people than any other US county in the past decade, but growth has slowed considerably since the economic downturn. For the period during 2004 – 2007, the growth rate was 3.9 percent. In 2010, the growth had declined to 0.2 percent. Within the AA, 19.6 percent of the families in the AA were low income, earning a median annual income of \$33 thousand or less and 18.8 percent of the families were moderate income, earning an annual income of \$53 thousand or less. Approximately 10.0 percent of all households in the AA had incomes below the poverty level, and 2.3 percent of households received public assistance.

Employment and Economic Factors

According to the Bureau of Labor Statistics, as of April 2012, the unemployment rate for the AA totaled 6.6 percent. The stateside unemployment rate was 7.5 percent.

No communities have been designated “colonias” by HUD. Parts of 11 jurisdictions in western Maricopa County, as well as central and southern areas in the City of Arizona and all of Pinal County are designated Enterprise Zones. The cities of Tempe, Chandler, and Mesa each have an Enterprise Zone in the central part of the city. The primary goal of the Arizona

enterprise zone program is to improve the economies of areas in the state with high poverty or unemployment rates.

For 2011, as indicated in [greaterphoenixrising.com](http://greaterphoenixrising.com), the top five major employers include the State of Arizona, Banner Health, City of Phoenix, Wal-Mart, and Honeywell Aerospace.

### Housing

Within the AA, 27.2 percent of the housing units are owner occupied and 64.1 percent are renter occupied in low-income CTs and 46.6 percent of all owner occupied units and 38.3 percent of renter occupied units were located in moderate income CTs. Additionally, 52.3 percent of all 1-4 unit homes and 38.6 percent of 5+ housing units were located in low-income CTs and 52.1 percent of all 1-4 unit homes and 27.1 percent of 5+ housing units were located in moderate income CTs. According to the National Association of Realtors, the 2012 average median housing price for the AA totaled \$130 thousand.

According to the industry's largest mortgage database, Core Logic's Loan Performance Servicing database, the April 2012 foreclosure rate in the State of Arizona was 3.5 percent which is below the national foreclosure rate of 4.3 percent. This database is comprised of approximately 41.3 million active first-lien mortgage loans for a total of \$7.0 trillion outstanding loan balances as of April 2012, representing approximately 85.0 percent of all mortgage loans in the US. Foreclosure rates are calculated using the outstanding loan balances for active first-lien mortgage loans. Comparing January 2009 to April 2012 for the State of Arizona, the foreclosure rate increased from 3.1 percent to 3.5 percent. However, over the review period, the foreclosure rate varied from a low of 3.0 percent in February 2009 to a high of 5.5 percent in December 2010. The national average foreclosure rate comparing January 2009 to April 2012, increased from 2.3 percent to 4.3 percent. Over the review period, the national foreclosure rate varied from a low of 2.3 percent in January 2009 to a high of 4.5 percent in January 2011.



**Prescott MSA**

Demographic Information for Full-Scope Area: Prescott MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0.00	7.69	65.38	23.08	3.85
Population by Geography	167,517	0.00	4.22	77.74	18.04	0.00
Owner-Occupied Housing by Geography	51,519	0.00	2.46	76.79	20.76	0.00
Business by Geography	27,074	0.00	5.99	70.51	23.50	0.00
Farms by Geography	615	0.00	4.55	68.78	26.67	0.00
Family Distribution by Income Level	46,944	17.21	20.02	23.60	39.17	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	17,475	0.00	4.41	81.45	14.13	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		40,888 54,000 11%	Median Housing Value Unemployment Rate (April 2012 US Labor Statistics)		186,700 7.90%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2010 HUD updated MFI, April 2012 Bureau of Labor Statistics, RealtyTrac.com

This AA consists of Yavapai County. The US Forest Service owns 38.0 percent of the land in Yavapai County, including portions of Prescott, Tonto, and Coconino National Forests, while the State of Arizona owns an additional 24.6 percent. Twenty-five percent is individually or corporate owned and 11.6 percent is the property of the US Bureau of Land Management. The Yavapai Indian Reservation and public lands each occupy less than 0.5 percent of the county.

As of June 30, 2011, the Bank had \$423 million in deposits in this AA, representing 11.2 percent of total deposits. There are 15 FDIC insured financial institutions in the AA with 57 offices. NBA's main competitors include Wells Fargo Bank, NA, JPMorgan Chase, NA, and Bank of America, NA. NBA operates seven branches and seven deposit taking ATMs in this AA.

Based on the 2000 census, the population of the Prescott MSA was 168 thousand. Since 2000, the AA has seen strong growth averaging 26.0 percent. Within the AA, 17.2 percent of the families were low income, earning a median annual income of \$27 thousand or less and 20.0 percent of the families were moderate income, earning an annual income of \$43 thousand or less. Approximately 11.0 percent of all households in the AA had incomes below the poverty level, and 2.1 percent of households received public assistance.

Employment and Economic Factors

According to the Bureau of Labor Statistics, as of April 2012, the unemployment rate for the AA was 7.9 percent. The statewide unemployment rate was 7.5 percent.

No communities have been designated "colonias" by HUD. Only a very small portion of Yavapai County is included in the designated Enterprise Zones. These include Chino Valley,

Prescott Valley and unincorporated areas of Yavapai County. The primary goal of the Arizona enterprise zone program is to improve the economies of areas in the state with high poverty or unemployment rates.

For 2011, as indicated in [workforceaz.gov](http://workforceaz.gov), the top five major employers include Yavapai County, Yavapai Regional Medical Center, Prescott Unified School District, State of Arizona, and MI Better Built. Prescott is regarded as the region's trade center. Government is the dominant sector for the economy. Construction, real estate, healthcare, tourism, education, accommodation and food services, and durable goods manufacturing are significant contributors for employment in the city. Professional, scientific and technical services also provide jobs.

### Housing

Within the AA, 32.8 percent of the housing units are owner occupied and 42.0 percent are renter occupied in moderate-income CTs and there are no low-income CTs. Additionally, 57.8 percent of all 1-4 unit homes and 14.8 percent of 5+ housing units were located in moderate-income CTs. According to RealtyTrac.com, the June 2012 average median housing prices for the AA totaled \$187 thousand.

The area is known for its cooler weather in the summer, which makes it an ideal vacation destination for people living in Phoenix and other areas south. There are many second homes and vacation homes in the area. The recent recession and housing market crash has had an effect on the areas, with median sales prices dropping as much as 43.0 percent from 2006 to January 2012. Affordability remains an issue for lower income borrowers because prices are still relatively high and with high unemployment, many are not in a position to purchase a home.

According to the industry's largest mortgage database, Core Logic's Loan Performance Servicing database, the April 2012 foreclosure rate in the State of Arizona was 3.5 percent which is below the national foreclosure rate of 4.3 percent. This database is comprised of approximately 41.3 million active first-lien mortgage loans for a total of \$7.0 trillion outstanding loan balances as of April 2012, representing approximately 85.0 percent of all mortgage loans in the US. Foreclosure rates are calculated using the outstanding loan balances for active first-lien mortgage loans. Comparing January 2009 to April 2012 for the State of Arizona, the foreclosure rate increased from 3.1 percent to 3.5 percent. However, over the review period, the foreclosure rate varied from a low of 3.0 percent in February 2009 to a high of 5.5 percent in December 2010. The national average foreclosure rate comparing January 2009 to April 2012, increased from 2.3 percent to 4.3 percent. Over the review period, the national foreclosure rate varied from a low of 2.3 percent in January 2009 to a high of 4.5 percent in January 2011.

**Tucson MSA**

Demographic Information for Full-Scope Area: Tucson MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	198	5.05	30.81	32.32	31.82	0.00
Population by Geography	843,746	4.41	33.94	33.03	28.62	0.00
Owner-Occupied Housing by Geography	213,620	2.25	24.74	36.40	36.61	0.00
Business by Geography	89,209	3.07	24.95	33.33	38.65	0.00
Farms by Geography	1,634	2.45	24.42	35.01	38.13	0.00
Family Distribution by Income Level	213,704	20.12	18.51	21.13	40.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	82,551	7.13	45.94	32.53	14.40	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		44,466 59,000 13%	Median Housing Value Unemployment Rate (April 2012 US Labor Statistics)		137,600 6.60%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI, April 2012 Bureau of Labor Statistics, 2012 National Association of Realtors

This AA consists of Pima County and includes five incorporated cities and towns and two Native American Indian Reservations. The government owns most of the land with less than 14.0 percent private ownership. As of June 30, 2011, the Bank had \$544 million in deposits in this AA, representing 14.5 percent of total deposits. There are 19 FDIC insured financial institutions in the AA with 192 offices. NBA's main competitors include Wells Fargo Bank, NA, JPMorgan Chase, NA, Bank of America, NA, Compass Bank, Washington FS&LA, and Bank of the West. NBA operates seven branches and seven deposit taking ATMs in this AA.

Based on the 2000 census, the population of the Tucson MSA was 844 thousand. Since 2000, the AA has seen moderate growth averaging 16.2 percent. In 2000, Tucson was the 8<sup>th</sup> largest city in the United States based upon the number of Native Americans and the 23<sup>rd</sup> largest city based upon the number of Hispanics.

Within the AA, 20.1 percent of the families were low income, earning a median annual income of \$30 thousand or less and 18.5 percent of the families were moderate income, earning an annual income of \$47 thousand or less. Approximately 13.0 percent of all households in the AA had incomes below the poverty level, and 3.1 percent of households received public assistance.

Employment and Economic Factors

According to the Bureau of Labor Statistics, as of April 2012, the unemployment rate for the AA was 6.6 percent. The statewide unemployment rate was 7.5 percent.

Some communities and part of communities have been designated "colonias" by the HUD. HUD and USDA Rural define colonias as non-metropolitan, unincorporated neighborhoods and

incorporated communities within 150 miles of the US-Mexico border. These areas lack sewer, water, decent housing, or a combination of all three. This includes Pima County. Because the federal definition is so broad, colonias in Arizona represent a wide range of community types. For example, they include some tribal communities, long established mining towns, fast growing retirement communities, as well as rural utility districts and high poverty illegal subdivisions. Portions of Pima County are designated Enterprise Zones. These include all of South Tucson, central Tucson, portions of Marana, Sahuarita, parts of Pima County and parts of the Tohono O'odham and Pasqua Yaqui Indian Reservations. The primary goal of the Arizona enterprise zone program is to improve the economies of areas in the state with high poverty or unemployment rates.

In Pima County, the top five major employers include the University of Arizona, Raytheon Missile Systems (Raytheon), State of Arizona, Davis-Monthan Air Force Base, and Wal-Mart Stores Inc. Private services employment is strong and comprises much of the nonfarm employment including: (1) trade, transportation, public utilities; (2) professional and business services; (3) educational and health services; and (4) leisure and hospitality. The goods-producing sector consists of (1) natural resources and mining; (2) construction; and (3) manufacturing. These industries are high paying, develop a highly skilled workforce, attract export revenues from other parts of the world, and have a high economic multiplier.

The manufacturing sector is dominated by Raytheon, which employs over 10 thousand high-wage employees in Tucson and manufactures advanced weapon systems in its facilities. Raytheon continues to benefit from federal defense spending and the ongoing war on terror.

### Housing

Within the AA, 35.3 percent of the housing units are owner occupied and 53.0 percent are renter occupied in low-income CTs and 45.0 percent of all owner occupied units and 45.3 percent of renter occupied units were located in moderate-income CTs. Additionally, 54.9 percent of all 1-4 unit homes and 27.0 percent of 5+ housing units were located in low-income CTs and 56.1 percent of all 1-4 unit homes and 23.7 percent of 5+ housing units were located in moderate-income CTs.

According to the National Association of Realtors, the 2012 average median housing prices for the AA totaled \$138 thousand.

NBA works with two housing nonprofit agencies in the Tucson MSA, Primavera Foundation and Chicanos Por La Causa. Both provide home buyer counseling and prepare clients for home ownership.

According to the industry's largest mortgage database, Core Logic's Loan Performance Servicing database, the April 2012 foreclosure rate in the State of Arizona was 3.5 percent which is below the national foreclosure rate of 4.3 percent. This database is comprised of approximately 41.3 million active first-lien mortgage loans for a total of \$7.0 trillion outstanding loan balances as of April 2012, representing approximately 85.0 percent of all mortgage loans in the US. Foreclosure rates are calculated using the outstanding loan balances for active first-lien mortgage loans. Comparing January 2009 to April 2012 for the State of Arizona, the foreclosure rate increased from 3.1 percent to 3.5 percent. However, over the review period,

the foreclosure rate varied from a low of 3.0 percent in February 2009 to a high of 5.5 percent in December 2010. The national average foreclosure rate comparing January 2009 to April 2012, increased from 2.3 percent to 4.3 percent. Over the review period, the national foreclosure rate varied from a low of 2.3 percent in January 2009 to a high of 4.5 percent in January 2011.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_\_12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and

purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.



**Table 1. Lending Volume**

LENDING VOLUME		Geography: ARIZONA						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011				
Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
AZ non-MSA Areas	15.27	1,261	216,081	2,322	199,921	53	7,945	8	17,889	3,636	423,947	17.04
Phoenix-Mesa-Glendale MSA	34.55	1,848	644,023	6,347	873,342	33	6,329	3	35,504	8,228	1,523,694	36.50
Prescott MSA	13.58	883	204,537	2,328	148,610	22	3,177	0	0	3,233	356,324	11.24
Tucson MSA	15.15	927	261,191	2,658	307,301	24	4,440	2	3,841	3,609	572,932	14.48
<b>Limited Review:</b>												
Flagstaff MSA	8.14	701	185,361	1,231	96,392	6	140	1	500	1,938	281,893	6.68
Lake Havasu City-Kingman MSA	4.82	542	95,180	601	60,240	6	529	0	0	1,149	155,949	5.60
Yuma MSA	8.49	1,024	129,331	980	82,002	17	2,077	1	1,500	2,021	213,410	8.46

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from August 06, 2006 to June 11, 2012.

\*\*\* Deposit Data as of June 30, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: ARIZONA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****						
<b>Full Review:</b>																
AZ non-MSA Areas	592	15.70	3.21	0.00	22.28	1.18	52.12	61.82	22.40	36.99	1.60	0.00	0.00	2.07	1.21	
Phoenix-Mesa-Glendale MSA	1,164	30.87	1.63	1.37	24.02	19.50	39.20	40.55	35.14	38.57	0.19	0.37	0.25	0.20	0.15	
Prescott MSA	421	11.16	0.00	0.00	2.46	0.95	76.79	81.00	20.76	18.05	2.25	0.00	3.45	2.47	1.38	
Tucson MSA	513	13.60	2.25	2.34	24.74	25.73	36.40	30.80	36.61	41.13	0.43	0.55	0.63	0.44	0.33	
<b>Limited Review:</b>																
Flagstaff MSA	280	7.43	1.04	4.29	18.90	5.36	51.74	62.86	28.33	27.50	3.45	2.56	6.74	3.01	3.88	
Lake Havasu City-Kingman MSA	252	6.68	0.00	0.00	9.84	7.54	74.76	73.81	15.40	18.65	0.88	0.00	1.46	0.88	0.74	
Yuma MSA	549	14.56	0.00	0.00	14.76	15.85	58.74	43.90	26.50	40.26	3.58	0.00	4.59	4.06	2.84	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Geography: ARIZONA						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
AZ non-MSA Areas	166	24.70	3.21	0.00	22.28	3.61	52.12	63.86	22.40	32.53	10.31	0.00	0.00	10.17	12.36
Phoenix-Mesa-Glendale MSA	133	19.79	1.63	0.00	24.02	18.05	39.20	47.37	35.14	34.59	0.87	0.00	1.08	1.06	0.67
Prescott MSA	62	9.23	0.00	0.00	2.46	4.84	76.79	82.26	20.76	12.90	8.74	0.00	0.00	9.33	7.41
Tucson MSA	51	7.59	2.25	0.00	24.74	37.25	36.40	31.37	36.61	31.37	0.86	0.00	3.61	0.00	0.42
<b>Limited Review:</b>															
Flagstaff MSA	45	6.70	1.04	0.00	18.90	13.33	51.74	66.67	28.33	20.00	9.84	0.00	10.00	11.43	6.25
Lake Havasu City-Kingman MSA	50	7.44	0.00	0.00	9.84	10.00	74.76	72.00	15.40	18.00	10.75	0.00	50.00	10.96	5.56
Yuma MSA	165	24.55	0.00	0.00	14.76	43.03	58.74	36.97	26.50	20.00	17.14	0.00	36.84	17.07	8.89

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: ARIZONA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****						
<b>Full Review:</b>																
AZ non-MSA Areas	496	18.20	3.21	0.00	22.28	1.01	52.12	57.86	22.40	41.13	1.32	0.00	0.50	1.43	1.28	
Phoenix-Mesa-Glendale MSA	549	20.14	1.63	0.36	24.02	9.11	39.20	25.87	35.14	64.66	0.16	0.00	0.09	0.10	0.20	
Prescott MSA	400	14.67	0.00	0.00	2.46	2.25	76.79	76.25	20.76	21.50	1.43	0.00	0.00	1.62	1.02	
Tucson MSA	357	13.10	2.25	0.28	24.74	16.53	36.40	24.93	36.61	58.26	0.32	0.00	0.27	0.27	0.35	
<b>Limited Review:</b>																
Flagstaff MSA	376	13.79	1.04	1.33	18.90	5.32	51.74	58.78	28.33	34.57	2.35	4.00	3.70	2.33	2.21	
Lake Havasu City-Kingman MSA	240	8.80	0.00	0.00	9.84	7.50	74.76	67.50	15.40	25.00	1.09	0.00	4.05	0.61	2.38	
Yuma MSA	308	11.30	0.00	0.00	14.76	18.18	58.74	49.35	26.50	32.47	1.72	0.00	2.88	1.53	1.76	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: ARIZONA					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****						
<b>Full Review:</b>																
AZ non-MSA Areas	7	41.18	0.43	0.00	16.24	0.00	47.94	100.00	35.39	0.00	25.00	0.00	0.00	50.00	0.00	
Phoenix-Mesa-Glendale MSA	2	11.76	6.87	0.00	41.48	50.00	36.08	0.00	15.57	50.00	1.89	0.00	2.00	0.00	6.67	
Prescott MSA	0	0.00	0.00	0.00	13.37	0.00	66.24	0.00	20.39	0.00	0.00	0.00	0.00	0.00	0.00	
Tucson MSA	6	35.29	5.05	0.00	38.28	100.00	38.41	0.00	18.26	0.00	2.22	0.00	3.85	0.00	0.00	
<b>Limited Review:</b>																
Flagstaff MSA	0	0.00	15.67	0.00	8.84	0.00	56.32	0.00	19.17	0.00	0.00	0.00	0.00	0.00	0.00	
Lake Havasu City-Kingman MSA	0	0.00	0.00	0.00	2.08	0.00	83.28	0.00	14.64	0.00	0.00	0.00	0.00	0.00	0.00	
Yuma MSA	2	11.76	0.00	0.00	18.08	0.00	58.69	100.00	23.23	0.00	20.00	0.00	0.00	25.00	0.00	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: ARIZONA						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011						
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
AZ non-MSA Areas	2,322	14.11	0.42	0.00	13.04	3.36	59.64	69.04	26.90	27.61	8.80	0.00	3.83	12.22	10.25
Phoenix-Mesa-Glendale MSA	6,341	38.53	3.46	7.55	19.49	28.78	32.55	26.76	44.42	36.90	1.55	3.74	2.48	1.45	1.22
Prescott MSA	2,328	14.15	0.00	0.00	5.99	11.90	70.51	62.84	23.50	25.26	9.76	0.00	17.89	10.08	10.49
Tucson MSA	2,658	16.15	3.07	4.36	24.95	38.34	33.33	31.60	38.65	25.70	3.41	6.85	5.54	3.40	2.37
<b>Limited Review:</b>															
Flagstaff MSA	1,231	7.48	6.05	8.61	10.49	10.40	55.49	65.72	27.55	15.27	10.05	13.19	13.13	13.01	6.92
Lake Havasu City-Kingman MSA	601	3.65	0.00	0.00	5.03	2.16	78.62	75.71	16.35	22.13	4.22	0.00	3.37	4.05	7.41
Yuma MSA	977	5.94	0.00	0.00	20.41	25.28	44.65	40.53	34.88	34.19	12.03	0.00	17.41	11.36	12.59

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2011).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS			Geography: ARIZONA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans						
<b>Full Review:</b>																
AZ non-MSA Areas	53	32.92	0.17	0.00	8.53	3.77	65.98	73.58	25.32	22.64	7.24	0.00	0.00	12.99	12.50	
Phoenix-Mesa-Glendale MSA	33	20.50	2.15	0.00	23.70	21.21	35.73	57.58	38.39	21.21	1.11	0.00	1.12	2.52	0.00	
Prescott MSA	22	13.66	0.00	0.00	4.55	4.55	68.78	81.82	26.67	13.64	13.33	0.00	0.00	14.81	16.67	
Tucson MSA	24	14.91	2.45	0.00	24.42	12.50	35.01	62.50	38.13	25.00	5.56	0.00	0.00	7.69	7.69	
<b>Limited Review:</b>																
Flagstaff MSA	6	3.73	4.51	0.00	9.84	0.00	52.46	100.00	32.79	0.00	14.29	0.00	0.00	16.67	0.00	
Lake Havasu City-Kingman MSA	6	3.73	0.00	0.00	8.77	16.67	77.89	83.33	13.33	0.00	6.25	0.00	0.00	10.00	0.00	
Yuma MSA	17	10.56	0.00	0.00	16.11	11.76	48.33	82.35	35.36	5.88	5.08	0.00	0.00	6.90	9.09	

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2011).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: ARIZONA					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
AZ non-MSA Areas	592	15.70	23.28	2.11	17.40	9.86	19.35	14.26	39.98	73.77	1.81	1.42	1.66	1.20	2.07	
Phoenix-Mesa-Glendale MSA	1,164	30.87	19.62	15.78	18.79	22.85	21.81	12.87	39.78	48.50	0.20	0.33	0.19	0.09	0.21	
Prescott MSA	421	11.16	17.21	2.46	20.02	15.02	23.60	16.26	39.17	66.26	2.44	0.79	2.95	1.66	2.83	
Tucson MSA	513	13.60	20.12	13.92	18.51	17.50	21.13	11.73	40.24	56.86	0.53	1.12	0.53	0.15	0.58	
<b>Limited Review:</b>																
Flagstaff MSA	280	7.43	22.42	2.90	16.91	10.87	20.66	14.13	40.01	72.10	3.81	7.14	5.22	2.97	3.53	
Lake Havasu City-Kingman MSA	252	6.68	16.72	1.63	19.88	8.57	23.98	14.29	39.42	75.51	0.99	0.53	1.31	0.34	1.21	
Yuma MSA	549	14.56	19.11	8.96	18.62	22.30	21.71	23.03	40.55	45.70	4.12	6.59	5.05	3.71	3.41	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information. Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 3.3% of loans originated and purchased by bank.



**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: ARIZONA					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share				
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
AZ non-MSA Areas	166	24.70	23.28	15.06	17.40	14.46	19.35	21.69	39.98	48.80	10.65	21.43	17.65	10.87	7.38	
Phoenix-Mesa-Glendale MSA	133	19.79	19.62	18.46	18.79	20.00	21.81	18.46	39.78	43.08	0.83	2.08	0.84	0.35	0.86	
Prescott MSA	62	9.23	17.21	8.20	20.02	29.51	23.60	24.59	39.17	37.70	9.18	0.00	10.81	9.52	9.09	
Tucson MSA	51	7.59	20.12	22.00	18.51	14.00	21.13	16.00	40.24	48.00	0.92	2.27	1.23	0.91	0.50	
<b>Limited Review:</b>																
Flagstaff MSA	45	6.70	22.42	17.78	16.91	11.11	20.66	24.44	40.01	46.67	10.91	40.00	0.00	15.38	6.67	
Lake Havasu City-Kingman MSA	50	7.44	16.72	14.00	19.88	20.00	23.98	32.00	39.42	34.00	10.75	16.67	13.33	12.90	7.32	
Yuma MSA	165	24.55	19.11	14.11	18.62	20.86	21.71	26.38	40.55	38.65	17.48	33.33	18.75	27.27	10.71	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information. Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 1.0% of loans originated and purchased by bank.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: ARIZONA				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011					Market Share				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****					
<b>Full Review:</b>															
AZ non-MSA Areas	496	18.20	23.28	2.92	17.40	8.56	19.35	17.12	39.98	71.40	1.77	2.98	1.64	1.14	1.88
Phoenix-Mesa-Glendale MSA	549	20.14	19.62	4.63	18.79	13.28	21.81	14.49	39.78	67.61	0.19	0.11	0.14	0.14	0.24
Prescott MSA	400	14.67	17.21	4.52	20.02	14.89	23.60	19.15	39.17	61.44	1.70	1.66	1.80	1.47	1.77
Tucson MSA	357	13.10	20.12	5.37	18.51	8.06	21.13	14.03	40.24	72.54	0.43	0.18	0.27	0.28	0.56
<b>Limited Review:</b>															
Flagstaff MSA	376	13.79	22.42	1.64	16.91	7.67	20.66	20.55	40.01	70.14	2.85	1.30	1.92	3.54	2.82
Lake Havasu City-Kingman MSA	240	8.80	16.72	4.68	19.88	14.47	23.98	15.74	39.42	65.11	1.39	1.83	1.60	1.44	1.28
Yuma MSA	308	11.30	19.11	5.19	18.62	11.07	21.71	19.38	40.55	64.36	2.28	8.70	3.05	2.55	1.79

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information. Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 5.5% of loans originated and purchased by bank.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: ARIZONA			Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
AZ non-MSA Areas	2,322	14.10	66.05	34.24	80.58	9.91	9.52	8.80	5.77
Phoenix-Mesa-Glendale MSA	6,347	38.54	66.61	26.12	71.45	10.81	17.74	1.55	0.88
Prescott MSA	2,328	14.14	70.45	23.63	86.47	6.74	6.79	9.76	5.33
Tucson MSA	2,658	16.14	66.16	27.77	75.70	10.87	13.43	3.41	1.71
<b>Limited Review:</b>									
Flagstaff MSA	1,231	7.48	67.99	33.06	83.43	8.77	7.80	10.05	6.37
Lake Havasu City-Kingman MSA	601	3.65	72.32	27.95	78.04	9.65	12.31	4.22	2.31
Yuma MSA	980	5.95	69.00	26.22	83.88	7.55	8.57	12.03	5.06

<sup>\*</sup> Based on 2010 Peer Small Business Data -- US and PR

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2011).

<sup>\*\*\*\*</sup> Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 47.2% of small loans to businesses originated and purchased by the bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: ARIZONA			Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
AZ non-MSA Areas	53	32.92	96.64	81.13	60.38	15.09	24.53	7.24	9.76
Phoenix-Mesa-Glendale MSA	33	20.50	95.11	60.61	45.45	15.15	39.39	1.11	1.64
Prescott MSA	22	13.66	98.54	90.91	54.55	22.73	22.73	13.33	20.00
Tucson MSA	24	14.91	96.63	58.33	45.83	29.17	25.00	5.56	4.88
<b>Limited Review:</b>									
Flagstaff MSA	6	3.73	96.72	50.00	100.00	0.00	0.00	14.29	12.50
Lake Havasu City-Kingman MSA	6	3.73	97.19	100.00	83.33	0.00	16.67	6.25	10.00
Yuma MSA	17	10.56	86.19	52.94	58.82	29.41	11.76	5.08	5.26

<sup>\*</sup> Based on 2010 Peer Small Business Data -- US and PR

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2011).

<sup>\*\*\*\*</sup> Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 17.4% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: ARIZONA				Evaluation Period: AUGUST 31, 2006 TO JUNE 11, 2012			
Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
AZ non-MSA Areas	0	0	7	4,354	7	4,354	6.17	0	0
Phoenix-Mesa-Glendale MSA	5	1,413	69	39,287	74	40,700	48.28	0	0
Prescott MSA	1	174	14	3,732	15	3,906	4.63	0	0
Tucson MSA	2	910	30	16,391	32	17,301	20.52	0	0
<b>Limited Review:</b>									
Flagstaff MSA	2	1,889	8	2,705	10	4,594	5.45	0	0
Lake Havasu City-Kingman MSA	0	0	6	610	6	610	.72	0	0
Yuma MSA	0	0	14	11,978	14	11,978	14.21	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: ARIZONA Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2011																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
AZ non-MSA Areas	17.04	17	23.61	0.00	0.00	58.82	41.18	2	2	0	0	0	0	4.22	26.40	50.69	18.69
Phoenix-Mesa-Glendale MSA	36.50	26	36.11	0.00	19.23	38.46	42.31	4	5	0	-1	-2	+3	4.89	30.55	36.18	28.36
Prescott MSA	11.24	7	9.72	0.00	0.00	71.43	28.57	0	3	0	-1	-2	0	0.00	4.22	77.74	18.04
Tucson MSA	14.48	7	9.72	14.29	42.86	14.29	28.57	2	2	0	-2	0	+2	4.41	33.94	33.03	28.62
<b>Limited Review:</b>																	
Flagstaff MSA	6.68	4	5.56	0.00	0.00	100.00	0.00	0	1	0	0	-1	0	6.44	21.16	51.31	21.08
Lake Havasu City-Kingman MSA	5.60	6	8.33	0.00	0.00	83.33	16.67	0	2	0	-1	-1	0	0.00	10.22	75.87	13.91
Yuma MSA	8.46	5	6.94	0.00	20.00	80.00	0.00	0	0	0	0	0	0	0.00	21.42	53.86	24.71

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: BROADER REGIONAL AREA				Evaluation Period: AUGUST 31, 2006 TO JUNE 11, 2012			
Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Broader Regional Area with Potential to Benefit AAs	1	849	0	0	1	849	100.00	0	0

\* Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.