



PUBLIC DISCLOSURE

June 13, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

RepublicBankAz, National Association
Charter Number 24636

909 East Missouri Avenue
Phoenix, AZ 85014

Office of the Comptroller of the Currency

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

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

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

RepublicBankAz, National Association's (RNA or bank) lending performance reflects a satisfactory response to meeting community credit needs. This is based on the following factors:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the assessment area (AA).
- A substantial majority of the loans are made inside the bank's AA.
- Lending activities represent a reasonable penetration to businesses of different sizes.
- The geographic distribution of loans represent an excellent dispersion throughout census tracts (CTs) of different income levels in the bank's AA.

SCOPE OF EXAMINATION

The examination of RNA consists of a full-scope review of the bank's single AA. The lending test covers January 1, 2014 through December 31, 2015, referred to in this report as the evaluation period. We identified commercial loans as the bank's primary loan product based on the number and dollar amount of loans originated during the evaluation period. There were no affiliate loans to review.

Loan Originations for Evaluation Period	% of Dollar Amount of Loans	% of Number of Loans
Commercial Loan Originations as a % of Total Originations	97%	95%

Source: Loan originations for the evaluation period.

We sampled 20 loans from the bank's primary loan product. The data from the original commercial loan sample was used to calculate the inside/outside AA ratio. The sample is representative of the bank's business strategy.

DESCRIPTION OF INSTITUTION

RNA is a community bank headquartered in Phoenix, Arizona. As of March 31, 2016, RNA had \$90 million in assets and \$60 million in total loans, or 67 percent of total assets. RNA operates a main office in Phoenix, located in a middle-income CT, with no additional branches or deposit-taking Automatic Teller Machines (ATMs). However, to help serve their customers, the bank has an agreement with US Bank and its MoneyPass ATM network allowing use of their ATMs free of charge, which includes the ability to make deposits.

The bank has neither opened nor closed any branch offices during the evaluation period. The bank is an independent bank and not a subsidiary of a bank holding company; there are no affiliates.

The bank’s primary lending focus is on commercial loans to small businesses. In terms of dollars, commercial & industrial, commercial real estate, residential investment rentals, and construction and development loans represented 97 percent of the bank’s total loan portfolio as of March 31, 2016.

Loan Portfolio Summary by Loan Product as of March 31, 2016	
Loan Category	Percentage of Total Loans (Outstanding Dollars)
Commercial Real Estate (RE)	63.0
Multifamily Residential RE	8.0
Construction & Development	5.0
Commercial & Industrial Business	9.0
1-4 Family Residential RE (includes investment rentals)	15.0
Total	100.0

Source: Uniform Bank Performance Report and Bank data

The bank was rated Satisfactory at the September 13, 2010 CRA examination. There are no financial or legal impediments that impede the bank’s ability to help meet the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA

RNA has designated the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) as its AA, which encompasses both Maricopa and Pinal Counties, covering more than 14 thousand square miles. There are a total of 991 CTs in the MSA; 91 low-, 243 moderate-, 336 middle-, and 311 upper-income CTs. In addition, ten CTs do not report data and are listed as unknown. The bank’s main office is located in Maricopa County and there are no branch offices located in Pinal County. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

The current MSA unemployment rate, according to the May 2016 U.S. Department of Labor Bureau of Labor Statistics information, is 4.7 percent. This is a significant decline from the MSA’s unemployment rate high of 10.4 percent in January 2010.

Competition for financial services is strong in the Phoenix-Mesa-Scottsdale MSA. The June 30, 2015 FDIC Deposit Market Share Report showed 58 financial institutions, with a combined total of 889 branches, competed for over \$79 billion of insured deposits.

The nature of the competition includes 471 branches of three nationwide mega-banks that account for 72 percent of the deposit market share, representing \$57 billion in deposits. RNA is ranked 44th, with a 0.09 percent market share. RNA is one of nine banks that do not have access to other loans and deposits outside the local market.

The two counties within the Phoenix-Mesa-Scottsdale MSA, while similar in economies, will be presented separately in the following narrative.

Maricopa County

According to the Arizona Commerce Authority, Maricopa County is one of the largest counties in the country, stretching 100 miles in diameter and covering a total of 9,222 square miles.

Maricopa County encompasses the city of Phoenix, which is the county seat and also the state's capital, as well as several smaller cities, towns, and residential communities including Mesa, Chandler, Gilbert, Glendale, Scottsdale, Tempe, Peoria, and Gila Bend. In addition, several Native American communities are located in the county, including the Salt River Pima-Maricopa Indian Community, Gila River Indian Community, Fort McDowell Yavapai Nation, Tohono O'Odham, and Pascua Yaqui Tribe. The U.S. Bureau of Land Management is the county's largest landholder with 28 percent, an additional 16 percent is owned publicly, while the U.S. Forest Service and the State of Arizona each hold 11 percent. Five percent is Indian reservation land, with the remaining 29 percent owned by individuals and corporations.

As of July 2015, the population of Maricopa County was 4.2 million people, making it the fourth most populous county in the U.S. Approximately 61.7 percent of the state's population resides in Maricopa County. The largest business sectors are trade, transportation & utilities, education & health services, professional & business services, government, and leisure & hospitality. Major employers include the State of Arizona, Wal-Mart Stores, Banner Health Systems, City of Phoenix, and Maricopa County. From peak employment in December 2007 through July 2010, Maricopa County lost over 301 thousand jobs. Since then, the unemployment rate has steadily declined from a high of 10.3 percent in January 2010 to a low of 4.4 percent in March 2016; 299 thousand jobs have been regained. Maricopa County comprises approximately 63 percent of the labor force in the State of Arizona. As of May 2016, the unemployment rate in Maricopa County was 4.6 percent, compared to 4.5 percent for the U.S. national rate.

Pinal County

Pinal County encompasses 5,374 square miles and has two distinct regions; the eastern portion is characterized by mountains reaching over 6,000 feet in elevation with copper mining, while the western area is primarily low desert valleys with irrigated agriculture. Pinal County encompasses the county seat of Florence, along with the cities of San Tan Valley, Casa Grande, Maricopa, Apache Junction, Queen Creek, Eloy, Maricopa, and Superior.

In addition, Native American communities in the county include the Ak-Chin Indian Community, Gila River Indian Community, Pascua Yaqui Tribe, and Tohono O'Odham. The State of Arizona is the county's largest landholder with 35 percent, while 6 percent is other public land; the U.S. Forest Service and U.S. Bureau of Land Management hold a combined 14 percent. An additional 23 percent is Indian reservation land, with the remaining 22 percent owned by individuals and corporations.

The population of Pinal County was 407 thousand people as of July 2015. The largest business sectors for Pinal County are government, trade, transportation & utilities, professional & business Services, educational & health services, and leisure & hospitality. Major employers include the State of Arizona, Corrections Corporation of America, Asarco, Pinal County, Abbott Labs/Ross Products Division, and Wal-Mart.

The unemployment rate has declined from a high of 13.5 percent in October 2009 to a low of 5.4 percent in March 2016. As of May 2016, the unemployment rate in Pinal County was 5.6 percent, compared to 4.5 percent for the U.S. national rate.

During our evaluation of RNA, we contacted a community organization to help determine the credit and financial needs and opportunities in the AA. The contact was a financial intermediary that offers innovative and affordable financing unavailable in the conventional market. This organization delivers to LMI individuals and LMI areas in both the AA counties and throughout Arizona, a wide range of loan products, financial assistance, and technical support such as affordable housing, small business assistance, and economic development. The contact reported that as the economy has been improving since the 2008 crash, banks have been more involved in both real estate and credit card lending for small businesses throughout the AA.

The contact indicated that while local financial institutions have limitations, banks are doing a good job of participating in CRA. Bankers set CRA goals, but could be more innovative with products and services to help small businesses. There is a need for education of small business owners, especially with credit card lending, since small business owners tend to use credit cards for short-term debt, but pay for it over the long-term. The community contact also stated that it would be beneficial for financial institutions to develop a referral program for customers that do not meet the bank's requirements, but could be serviced by the community organizations or financial intermediaries that have funds to lend.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA performance is rated *Satisfactory*. This is supported by the conclusions reached in the separate components of the lending test.

Loan-to-Deposit Ratio

RNA’s average quarterly LTD ratio is more than reasonable given the bank’s size, financial condition, and credit needs of the AA. As of March 31, 2016, the bank’s average quarterly LTD ratio for the 23 quarters since the prior CRA examination was 100 percent, with a low of 78 percent and a high of 112 percent. RNA’s average quarterly LTD ratio compares favorably, ranking first among the four banks identified as direct competitors.

Bank	Average Quarterly Loan-to-Deposit Ratio (9/2010 - 3/2016)
RepublicBankAz, National Association	100%
Bank A	83%
Bank B	90%
Bank C	63%
Bank D	88%
Average of Direct Competitors	81%

Source: Uniform Bank Performance Report

There are no true comparables for RNA in its AA. For purposes of comparison in the LTD ratio, we selected four banks that RNA considers direct competitors for loans and deposits. The four banks used in this comparison are not similarly situated banks to RNA. One bank is a division of a multi-billion dollar out-of-state bank that operates six branches in the AA and has access to loans and deposits outside the market. Another is a local bank almost six times larger than RNA that operates nine branches in the AA. The other two banks are larger than RNA by more than a third. Despite the differences, RNA has the highest LTD ratio of all four banks.

Lending in Assessment Area

We calculated the percentage of loans inside the bank’s AA in our sample of 20 commercial loans. With 100 percent of both the number and dollar amount of loans, RNA’s inside/outside ratio reflects a substantial majority of the primary loan product originated inside the AA. This exceeds the standard for satisfactory performance.

Lending in the Phoenix-Mesa-Scottsdale MSA AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	20	100	0	0	20	7,248	100	0	0	7,248

Source: Loan data from the loan sample.

Lending to Businesses of Different Sizes

The distribution of commercial loans reflects overall reasonable penetration to businesses of different sizes. While the percentage of loans originated is below the 80 percent of small businesses in the AA demographics, this is offset by the dollar amount of loans made to small businesses. And, there is a moderately high level of businesses in the AA demographics with unknown revenues. Without verifiable income information indicating the size category of these businesses, less weight was given to this performance area when determining the overall CRA rating. RNA meets the standard for satisfactory performance in this area.

Borrower Distribution of Loans to Businesses in the Phoenix-Mesa-Scottsdale MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	% Total
% of AA Businesses	80	4	16	100%
% of Bank Loans in AA by #	55	40	5	100%
% of Bank Loans in AA by \$	68	25	7	100%

Source: Loan sample and Dunn & Bradstreet data. Note: Bank sample of unavailable/unknown data represents one loan with no gross annual revenue information provided.

Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects an excellent dispersion throughout the AA. The bank’s distribution is nearly six times the demographic percentage of AA businesses in low-income CTs. This is especially noteworthy because there are limited opportunities for lending here, as only 6 percent of businesses are in low-income CTs. In moderate-income CTs, the geographic distribution is comparable to the demographics. Overall performance for lending in low- and moderate-income CTs exceeds the standard.

Geographic Distribution of Loans to Businesses in the Phoenix-Mesa-Scottsdale MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	6	35	16	15	31	15	46	35

Source: Loan sample and U.S. Census data. Note: 1% of geographies have not been assigned an income classification.

Responses to Complaints

We reviewed the bank's public file for complaints, and complaints reported to the OCC through the Customer Assistance Group. There were no complaints received by the bank or the OCC relating to the bank's CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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