



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 26, 2007**

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

Western National Bank  
Charter Number 24552

2525 East Camelback Road, Suite 100  
Phoenix, Arizona 85016

Office of the Comptroller of the Currency

ARIZONA & NEW MEXICO  
9633 South 48th Street, Suite 265  
Phoenix, Arizona 85044

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

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

The overall performance of Western National Bank (WNB) is satisfactory. This conclusion is based on the following results from our review.

- The loan to deposit (LTD) ratio is reasonable given the bank's size, operational age, number of offices, and competition.
- A substantial majority of loans were made within the bank's assessment area (AA).
- Performance reflects reasonable penetration of loans to businesses of different sizes.
- The geographic dispersion of loans in the AA is excellent.

**SCOPE OF EXAMINATION**

We reviewed the bank's performance under the CRA using the small bank test. The review period spanned from the date of the bank's opening in February 2005 through the date of this examination. This was the bank's first CRA examination.

We identified business loans as the bank's primary product based on the number and dollar amount of loans originated in 2005, 2006 and through year to date 2007. We drew conclusions about the bank's lending performance from a sample of 20 business loans originated during the evaluation period. Home Mortgage Disclosure Act (HMDA) data was not available, as the bank is not a HMDA reporter. No affiliate activities were reviewed as a part of this examination.

**DESCRIPTION OF INSTITUTION**

WNB is an intrastate bank headquartered in Phoenix, Arizona. WNB received its National bank charter and opened for business in February 2005. The bank is 71.68 percent owned by Great Western Bancorp of Phoenix, Arizona, a one-bank holding company. Private investors own the remaining portion. WNB serves the Phoenix-Mesa-Scottsdale metropolitan statistical area (MSA). The bank has a main office located in the Biltmore area of Phoenix, Arizona and a branch office located in the northern part of Scottsdale. A second branch is scheduled to open in fourth quarter 2007.

WNB's strategy is focused on business lending. The bank offers a wide range of deposit and commercial lending products and services. Consumer loan products consist mainly of home equity lines of credit. Other consumer loans are made generally as an accommodation to commercial customers. The bank offers first-purchase and refinance mortgage loans in a broker capacity. The bank does not have an ATM network but serves customer's ATM needs (with no fee) through an agreement with Wells Fargo Bank, NA.

As of September 30, 2007, WNB reported total assets of \$187 million, total deposits of \$153 million and total equity capital of \$24 million. Business loans make up over 85 percent of the loan portfolio, with the mix including commercial real estate (CRE), construction and development, and commercial and industrial loans. The following table provides a breakdown of the loan portfolio.

<b>Composition of WNB's Loan Portfolio as of September 30, 2007</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Commercial RE	111,388	65.15
Construction and Development	24,440	14.29
Secured by 1-4 residential including Home Equity Lines of Credit	22,307	13.05
Commercial and Industrial	10,322	6.04
Miscellaneous including consumer	2,524	1.48
<b>Gross Loans</b>	<b>170,981</b>	<b>100.00</b>

There are no legal impediments that would prohibit WNB from fulfilling AA credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA is designated as the Phoenix-Mesa-Scottsdale MSA. The AA meets the legal requirements of the CRA and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

WNB operates in a very competitive market. According to the most recent FDIC "Deposit Market Share Report", dated June 30, 2007, there were 71 financial institutions operating 862 offices within the MSA. These institutions held \$56 billion in deposits, with 3 large banks accounting for over 73 percent of those deposits. WNB ranked thirty-first with a deposit market share of 0.26 percent.

The Phoenix-Mesa-Scottsdale MSA encompasses Maricopa and Pinal Counties. Maricopa County is one of the largest counties in the country, measuring 9222 square miles. Phoenix and several smaller towns and cities are within the county, including Chandler, Gilbert, Glendale, Mesa, Peoria, Scottsdale, and Tempe. There is also a large unincorporated area in the county and several Native American communities. The 2006 county population was estimated at 3.7 million, up from 3 million reported in the 2000 U.S. Census.

Pinal County borders the south eastern portion of Maricopa County. It includes the cities and communities of Apache Junction, Gold Canyon, Casa Grande, Maricopa, and Florence. The 2006 Pinal County population was estimated at 271 thousand, up from 179 thousand reported in the 2000 U.S. Census. The area has experienced significant

growth in recent years, thanks to the booming economy of neighboring Maricopa County.

The following table provides demographic information for the bank’s AA based on 2000 US Census data.

<b>Demographic Information for Phoenix-Mesa-Scottsdale MSA</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
<b>Census Tracts*</b>	696	6%	29%	34%	30%
<b>Population by Geography</b>	3,251,876	5%	31%	36%	28%
<b>2006 Median Family Income</b>		\$60,100	Median Housing Value		127,589
<b>Households Below Poverty Level</b>		9.88%	Unemployment Rate		3.6%

\* = 6 tracts or about 1% are designated as “NA” for income (usually consisting of prisons, universities, etc.)

While a strong economy has led to substantial growth in the MSA over the past 10+ years, an August 2007 report from Moody’s Economy.com reported that the local economy is slowing quickly. The residential construction industry has been the hardest hit, losing over 6,000 jobs. The outlook for commercial construction remains positive for the near term.

The forecast through 2009 for the housing market shows continued weakness. Excess supply has continued to increase over the past two years. A downward trend in pricing is expected to continue through the end of 2009. The near term outlook for the MSA will be heavily affected by the housing and credit markets. However, the area’s relatively high industrial diversity and public sector should keep growth above the national average.

During our evaluation of WNB, we contacted a small business development organization to gather information on small business lending needs in the AA. We determined there continues to be demand and opportunities for small business lending in the AA. These include opportunities to partner with development corporations through the Small Business Administration’s (SBA) 504 lending program. The program allows banks to share the risk of lending to new businesses or to borrowers with high LTVs, while promoting job creation or other development objectives.

We reviewed four other recent community contacts to enhance our understanding of AA needs. These contacts relayed the need for banks and bankers to partner with organizations both financially and by lending their expertise. Projects that create permanent, living wage jobs are needed, and ways to help qualify LMI individuals for home loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall CRA performance is “Satisfactory”. This is evidenced by the lending performance conclusions detailed below.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) ratio is reasonable in relation to the bank’s asset size, operational age, branching structure, and competition. The average quarterly LTD ratio for the 11 quarters since the bank opened is 96.80 percent. This compares to an average of 108.93 percent for banks with similar deposit market share and number of offices.

### Lending in Assessment Area

A substantial majority of loans were made in the bank’s AA. All twenty of the business loans sampled were located inside the Phoenix-Mesa-Scottsdale MSA.

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

Our review of 20 business loans noted reasonable penetration of loans to businesses of different sizes. Fifty-five percent of loans reviewed were made to businesses with revenues of less than \$1 million. This percentage is lower than, but near, the ratio of businesses with revenues of less than \$1 million reported in the AA. Further demonstrating the bank’s commitment to small business lending, the bank originated 127 SBA loans totaling \$75 million during the rating period. WNB is a preferred SBA lender.

<b>Borrower Distribution of Loans to Businesses in Phoenix Mesa MSA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	63%	6%	32%	100%
<b>% of Bank Loans in AA by #</b>	55%	45%	0%	100%
<b>% of Bank Loans in AA by \$</b>	48%	52%	0%	100%

### Geographic Distribution of Loans

The geographic dispersion of loans in the AA is excellent. The percentage of loans originated in LMI areas in the AA exceeds the percentage of businesses reported in those geographies.

Geographic Distribution of Loans to Businesses Phoenix Mesa MSA								
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 real estate	5%	5%	24%	30%	32%	30%	39%	35%

**Responses to Complaints**

No complaints were noted.

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

We reviewed the institution's record of complying with the laws relating to discrimination and other illegal credit practices inconsistent with helping to meet community credit needs. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.