



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

February 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Republic National Bank of Arizona
Charter Number 20258**

**2020 North Central Avenue
Phoenix, Arizona 85004**

OCC

<p>NOTE: 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.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Republic National Bank of Arizona** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 10, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- ◆ The bank’s loan to deposit ratio is excellent in comparison to similar banks.
- ◆ The majority of loans are in the bank’s designated assessment area. .
- ◆ Lending activity to borrowers of different income levels and businesses of different sizes is satisfactory.
- ◆ The distribution of borrowers reflects reasonable dispersion of loans throughout the assessment area.
- ◆ No complaints were received during the review period.
- ◆ No evidence of prohibited discriminatory or other illegal credit practices was detected during our examination

The following table indicates the performance level of **Republic National Bank of Arizona** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Republic National Bank of Arizona Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received during the period reviewed.		

DESCRIPTION OF INSTITUTION:

Republic National Bank (RNB) is a wholly owned subsidiary of Republic National Bancorp, Inc., a one-bank holding company. As of December 31, 1996, total banking assets are \$53 million. RNB’s main banking location occupies the first floor of the Central Park Square building in downtown Phoenix, Arizona and includes a drive-up facility. RNB also operates a loan production office in Mesa, Arizona and has mobile loan originators in Flagstaff, Arizona and Tucson, Arizona.

RNB’s financial condition does not hinder its ability to service customer needs. However, the bank’s size and minimal number of office locations, including no branches or ATM’s, does impede its ability to service the entire assessment area. As of December 31, 1996, the bank’s legal lending limit is \$683,241.

The bank’s net loans to total average assets ratio on December 31, 1996 is 87%. The majority of the \$41 million in net loans is split between consumer loans of \$20 million and loans guaranteed by the Small Business Administration (SBA) of \$14 million. Other loan totals include commercial business loans of \$5 million and commercial real estate loans of \$2 million.

DESCRIPTION OF PHOENIX MSA:

The bank defines its assessment area as “the City of Phoenix and Metropolitan Maricopa County”. The bank’s CRA statement refers to a map to define this area which does not reflect whole geographies as defined in the regulation. Management corrected this error by modifying the assessment area to include whole census tracts. The new assessment area is the entire Phoenix MSA.

Based on 1990 Census Data, the Phoenix MSA is comprised of 490 census tracts with an estimated population of 2.2 million. Census MSA Median Family Income is \$35,425. The following table shows the number and percent of census tracts and families by income level.

Republic National Bank of Arizona Assessment Area Characteristics				
INCOME CHARACTERISTICS	Number of Census Tracts	Percent of Total Census Tracts	Number of Families	Percent of Total Families
Low Income	31	6%	114,241	20%
Moderate Income	122	25%	106,193	18%
Middle Income	184	38%	133,838	23%
Upper Income	149	30%	224,103	39%

N/A	4	1%	N/A	N/A
TOTAL	490	100%	578,375	100%

Local economic conditions are good. Arizona ranks third in the nation with 5.4% job growth during 1995 and first in the nation with personal income growth of 10.4%. Unemployment has been historically low. The 1996 U.S. Department of Housing and Urban Development (HUD) estimated median family income for the Phoenix MSA is \$45,000. The services and retail industry are the main providers of employment in the assessment area followed by government and manufacturing.

Competition for banking services within the Phoenix MSA is strong. The market is dominated by four large multi-state banking companies. Also, many non-bank financial institutions offer similar products and services at competitive prices. The few remaining community banks have survived by targeting niche markets not fully served by the larger institutions.

Finally, we reviewed prior community contacts performed by the OCC and other regulatory agencies. The needs of the assessment area include affordable housing, small business lending, and credit education programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The bank's loan to deposit ratio is excellent in comparison to similar banks.

The following table shows the net loans to deposit ratios for RNB since the last CRA examination dated December 31, 1993.

Dates	3/94	6/94	9/94	12/94	3/95	6/95
Net Loans to Deposit Ratio	76.42%	73.85%	85.10%	81.41%	80.32%	82.94%
Dates	9/95	12/95	3/96	6/96	9/96	12/96
Net Loans to Deposit Ratio	92.34%	91.78%	87.48%	92.46%	91.71%	87.19%

The average net loans to deposit ratio over the past 12 quarters was 85.25%. The range varied from a low of 73.85% at 6/94 to a high of 92.34% at 9/95. RNB compares favorably with other banks throughout the nation which approximate its asset size and number of banking offices. The net loans to deposit ratio for these peer groups of banks averaged 64.24% over

the same 12 quarter period. The range was from a low of 62.00% at 3/94 to a high of 65.84% at 9/96.

Lending in the Assessment Area

The majority of loans are in the bank’s designated assessment area.

The following table represents the bank’s small business lending in the assessment area (AA). As a proxy for small business loans, all commercial (including SBA loans) and non-farm, non-residential loans under \$1 million were analyzed.

Loan Range	Amount	# Loans	Inside AA	# Loans	Outside AA	# Loans
0- \$100,000	5,445,866	132	5,358,482	130	87,384	2
\$100,001- \$250,000	1,954,112	35	1,800,959	32	153,153	3
\$250,001- \$500,000	2,932,407	25	2,862,965	21	69,442	4
\$500,001-\$1,000,000	3,145,331	15	1,229,674	6	1,915,657	9
TOTALS	13,477,716	207	11,252,080	189	2,225,636	18

The table reflects that the majority of the bank’s small business loans are within the assessment area. Approximately 83% of the dollar volume and 91% of the number of loans were within the AA boundaries. A sample of consumer loans was also reviewed and verified that a significant majority of these loans were within the assessment area.

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

Lending activity to borrowers of different income levels and businesses of different sizes is satisfactory.

From the sample of commercial loans reviewed, 55% were to businesses with annual gross revenues under \$1,000,000. In addition, approximately 34% of the bank’s net loans are to businesses in the Small Business Administration (SBA) guaranteed loan program. For 1996, RNB ranked 6th in Arizona in the dollar amount of SBA loan originations.

The bank’s lending to consumers of low- and moderate-income levels is limited due to the bank’s consumer lending focus on luxury automobiles.

Geographic Distribution of Loans

The distribution of borrowers reflects reasonable dispersion of loans throughout the assessment area.

The following table represents the percentage of loans to small businesses (SBL) and consumers (CL) by number and dollar amount according to the income characteristics of the census tract in which the borrowers reside. These figures were derived from a random sample of loans and are shown in comparison to the income characteristics of families in the assessment area.

Income Characteristics	% Families in AA	SBL (#)	SBL (\$)	CL (#)	CL (\$)
Low Income	20%	14%	15%	0%	0%
Moderate Income	18%	46%	31%	9%	9%
Middle Income	23%	23%	31%	40%	34%
High Income	39%	17%	22%	51%	57%

Response to Complaints

No complaints were received during the review period.

Compliance with anti-discrimination laws and regulations

No evidence of prohibited discriminatory or other illegal credit practices was detected during our examination.