



LARGE BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**First National Bank of Arizona
Charter Number: 24189**

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Scottsdale, Arizona 85251**

Office of the Comptroller of the Currency

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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 **First National Bank of Arizona** (FNBAZ) with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Bank of Arizona Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
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:

- Overall adequate distribution of the bank’s primary loan product (home mortgage loans) in low- and moderate-income (LMI) geographies, but poor distribution to LMI borrowers in the bank’s full-scope assessment area (AA).
- Adequate lending levels.
- Excellent level of community development lending, which helped meet identified community development needs in the bank’s AA.
- Investment activity that represents an adequate response in the bank’s full-scope AA.
- Branch delivery systems, which are reasonably accessible to individuals and small businesses in LMI census tracts (CT) in the bank’s full-scope AA.
- A good level of community development services in the bank’s full-scope AA.

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 MA/AA.

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

Community Development: 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.

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 CT or a block numbering area 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 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).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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 MA/AA.

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 Statistical Area (MSA): Any primary metropolitan statistical area (PMSA), metropolitan statistical area (MSA), or consolidated metropolitan statistical area (CMSA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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) and the Thrift Financial Reporting (TFR) instructions. 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

FNBAZ is an intrastate bank headquartered in Scottsdale, Arizona. At March 31, 2004, the bank's net tier one capital was \$99.7 million and total assets were \$1.3 billion. The bank has grown substantially over the last five years from \$101 million in total assets in 1999.

FNBAZ is a member of a two-bank holding company, First National Bank Holding Company (FNBHC) which had total assets of \$1.75 billion as of December 31, 2003. The affiliate bank is First National Bank of Nevada (FNB NV), currently headquartered in Reno, Nevada. Other affiliates of FNBAZ include Bristol Mortgage LLC (Bristol) and Humboldt Merchant Services (the former merchant card processing division of Humboldt Bank in Eureka, California, which was acquired in March 2003). These subsidiaries have a negligible influence on the bank's ability to lend or invest in the community. Bristol is an operating subsidiary of FNBAZ (50% ownership) that was organized in July 2000. Bristol was established to provide mortgage loans for relocation customers referred by Bristol Relocation Services, a non-affiliated company. Bristol is currently not active. The bank has only 1% ownership in Humboldt Merchant Services.

FNBHC was chartered in 1998 with headquarters in Scottsdale, Arizona. In September 1999, First Bank of Arizona (FBAZ) was chartered as a de novo bank with initial capital of \$6 million and two branches in Phoenix, Arizona. In February 2001 FNBHC acquired Rocky Mountain Bank (RMB). RMB had total assets of \$125 million and nine branches when it was purchased. Seven branches were in Phoenix, one in Gila County, and one in Navajo County, Arizona. In June 2001, RMB was converted to a national charter. The name was changed to First National Bank of Arizona and merged with the de novo FBAZ.

At year-end 2001, the merged FNBAZ had total assets of \$372 million and has grown rapidly since. An increase in loan volume has fueled the bank's overall growth during the last four years, especially in residential real estate products.

FNBAZ's primary business strategy historically lies in the wholesale mortgage loan operation, representing 80% of the bank's lending. The bank's call report indicates that primary loan products are residential real estate, followed by construction and development loans. Residential real estate loans grew from \$45 million as of December 31, 2000, to \$529 million as of December 31, 2003. Construction and development loans grew from \$24 million to \$295 million during this same period.

Since the residential real estate loans funded by FNBAZ are 100% sold through the secondary market, the balances above do not reflect the full mortgage lending activity at the bank. The total volume of mortgage loans increased exponentially from \$4 million as of December 31, 2000, to \$4.3 billion as of December 31, 2003.

Loans are generated through a nationwide licensed broker system. The bank also offers conventional and FHA/VA guaranteed home mortgage loans, but the bank's niche product is "Alt A" loans, a hybrid between A-grade and sub-prime mortgage loan paper. The bank's net loans to total assets ratio at December 31, 2003, was 88%, up from 83% the year before, and 74% in 1999.

The bank operates in four AAs: the Phoenix-Mesa MSA, the Tucson MSA, Mohave County, and Gila and Navajo Counties (two contiguous non-MSA counties). The most significant AA to the bank is the Phoenix-Mesa MSA; the bank has eleven full service branches and four loan production offices (LPOs) in this AA. The Tucson AA has two full-service branches and one LPO; the Mojave County AA has one full service branch; and the Gila-Navajo AA has two full service branches. The AA delineations meet the legal requirements of the Community Reinvestment Act and do not arbitrarily exclude LMI geographies.

There are no financial or legal impediments that hinder the bank's ability to help meet the credit needs of the AAs. No prior rating is available for the FBAZ de novo bank that became part of FNBAZ in the merger. The prior RMB CRA rating was "Outstanding" as of November 16, 1998, but is not comparable to the current FNBAZ bank, as RMB was a small state-chartered community bank whose activities were significantly different from the current large bank operations or the large bank CRA evaluation procedures used in this examination.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation considered FNBAZ's HMDA-reportable loans for the period of January 1, 2001, to December 31, 2003. Small loans to businesses were considered for the period of January 1, 2003, to December 31, 2003; the bank was not required to collect this data prior to 2003. Community development loans, investments, and services were evaluated for the period beginning January 1, 2001, to June 1, 2004.

For the HMDA and CRA lending data, it is important to note that our review covers two reporting periods—those loans which were reported using 1990 census data (2001-2002 loan originations/purchases) and those which were reported using 2000 census data (2003 loan originations/purchases). Due to the changes in the demographics from one census year to another, loan data for the two reporting periods was analyzed separately. The lending tables in appendix C reflect those changes. Also see the Market Profile for the Phoenix-Mesa MSA in appendix B for additional information explaining the changes from one census year to another.

At the bank's request, we considered the affiliate FNBNV's loans, which were originated/purchased in FNBAZ's AAs and not considered in FNBNV's lending test.

Data Integrity

Prior to this examination, we reviewed the bank's controls and procedures for gathering reportable loan data and the quality control process for insuring accuracy. We also selected a sample of loans for the years 2001 to 2003 to test accuracy of the reported data. The time period covered stems from the bank's purchase of RMB in February 2001. Although the testing revealed errors in the HMDA data, none were so significant as to render the data unreliable for analysis. The 2003 CRA loan data revealed errors; however, those were corrected prior to reporting the data in March 2004. Our evaluation of the CRA loans is based on accurate data.

Selection of Areas for Full-Scope Review

A full-scope review was performed in the Phoenix-Mesa MSA. This AA accounts for 86% of total bank deposits and 78% of FNBAZ's combined reportable loans. Consequently, it is representative of the bank's activities in Arizona.

Ratings

The bank's overall rating is based primarily on the Phoenix-Mesa MSA rating, which received a full-scope review. Furthermore, the rating is based primarily on the bank's mortgage lending which represents 97% of FNBAZ's reportable loans and is most representative of the bank's business focus during the review periods. Within home mortgage lending, we placed the greatest weight on home purchase lending. However, the rating was not solely influenced by the bank's record of home purchase lending. We also placed some weight on home refinance lending and to a lesser extent on home improvement lending as community groups noted that all types of home mortgage loans are needed in the Phoenix-Mesa AA. We placed minimal

weight on small loans to businesses as these loans represent a very small portion of the bank's reportable lending. Furthermore, we placed greater weight on the 2001-2002 reporting period as this represents a majority of the bank's lending during this review period.

Other

We considered information obtained from community groups in our analysis. Please see the Market Profile for the Phoenix-Mesa MSA in appendix B for additional information.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Phoenix-Mesa MSA is adequate.

Lending Activity

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity for the 2001-2002 and the 2003 reporting periods.

Lending levels are adequate. FNBAZ reported 6,288 HMDA and CRA loans in the Phoenix-Mesa MSA during both reporting periods. The reported loans are comprised of 97% home mortgage loans and 3% small loans to businesses. Home mortgage loan originations consist of 59% home purchase, 6% home improvement, and 35% home refinance loans. The bank did not originate any small loans to farms.

A review of FNBAZ's lending activity in the Phoenix-Mesa MSA indicates adequate performance, particularly when considering the bank's market share for home mortgage loans in a highly competitive environment. Based on June 2003 deposit data, the bank ranks tenth in deposits with a market share of 1.51%. Based on 2002 aggregate HMDA data, the bank ranks thirty-eighth in home purchase lending with a market share of 0.77%, sixteenth in home improvement lending with a market share of 1.79%, and fifty-seventh in home refinance lending with a market share of 0.27%. Market share data is not currently available for small loans to businesses, since the bank was not required to report this data until 2004.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of FNBAZ's HMDA loans reflects adequate penetration of home mortgage loans in LMI geographies in the full-scope AA. Distribution of small loans to businesses in various geographies is good.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases for the 2001-2002 and the 2003 reporting periods.

The overall geographic distribution of all home mortgage loan products combined is adequate in the Phoenix-Mesa MSA.

Geographic distribution of home purchase loans in the Phoenix-Mesa MSA is adequate. The portion of home purchase loans made in low-income CTs in both the 2001-2002 and 2003 reporting periods is significantly below the portion of owner-occupied housing units there. The portion of home purchase loans made in moderate-income CTs for both the 2001-2002 and the 2003 reporting periods is below the portion of owner-occupied housing units. The 2002 market share for loans made in low-income geographies exceeds overall market share; it nearly meets overall market share for loans made in moderate-income geographies. However, the overall market share and the market share noted for LMI geographies are all below 1%.

Geographic distribution of home improvement loans in the Phoenix-Mesa MSA is very poor. The HMDA data indicates that in the 2001-2002 reporting period, the portion of home improvement loans in low-income CTs is significantly below the portion of owner-occupied housing units there. In 2003, distribution in these CTs is below the portion of owner-occupied housing units. Distribution of home improvement loans in moderate-income CTs is significantly below the portion of owner-occupied housing units for both the 2001-2002 and the 2003 reporting periods. The 2002 market share for loans made in LMI geographies is below overall market share.

Geographic distribution of home refinance loans in the Phoenix-Mesa MSA is adequate. The HMDA data indicates that in 2001-2002, the portion of home refinance loans made in low-income CTs is significantly below the portion of owner-occupied housing units there. In 2003, the portion of home refinance loans made in these CTs was nearly equal to the portion of owner-occupied housing units there. The portion of loans made in moderate-income CTs is below the portion of owner-occupied housing units for both the 2001-2002 and the 2003 reporting periods. The 2002 market share for loans made in these geographies exceeds overall market share for loans made in low-income CTs, and nearly meets overall market share for loans made in moderate-income CTs. However, the overall market share and the market share noted for LMI geographies are all well below 1%.

Small Loans to Businesses

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses for the 2003 reporting period.

The geographic distribution of small loans to businesses is good. In 2003, the portion of small loans to businesses in low-income CTs exceeds the portion of businesses there. The portion of these loans in moderate-income CTs is below the portion of businesses there. 2003 market share data is not currently available.

Lending Gap Analysis

Analysis of the bank's overall lending activity did not reveal any conspicuous or unexplainable lending gaps within the Phoenix-Mesa MSA.

Inside/Outside Ratio

A majority of the bank's loans were originated outside the bank's AAs. During the evaluation period, 16% of FNBAZ's home mortgage loans for the 2001-2002 reporting period were

originated within the bank's AAs. For the 2003 reporting period, 14% of the bank's home mortgage loans and 92% of the bank's small loans to businesses were originated within the AAs. The portion of home mortgage loans within the bank's AAs is significantly impacted by the bank's wholesale loan operation centers, which originate home mortgage loans throughout the United States. Without the loans originated by this division of the bank, the bank originated 90% of its retail loans within the AAs for the 2001-2002 reporting period and 88% for the 2003 reporting period. (These percentages are calculated on a bank-wide basis. Furthermore, this information includes bank originations and purchases only and does not include extensions of credit by affiliates.)

Distribution of Loans by Income Level of the Borrower

The overall borrower distribution of the bank's HMDA loans reflects poor distribution among borrowers of various income levels throughout the full-scope AA. The distribution of small loans to businesses of different sizes is adequate.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases for the 2001-2002 and the 2003 reporting periods.

Please note that the analysis of borrower distribution only covers those loans where borrower income data is available. The bank offers a number of home mortgage loan products that require an applicant to provide only limited information. Consequently, a significant percentage of the home purchase and home refinance loans do not include borrower income information. As noted in the footnotes to tables 8 and 10 in appendix C, 47% of the home purchase loans and 23% of the home refinance loans originated during 2001-2002, and 40% of the home purchase loans and 23% of the home refinance loans originated during 2003 do not include borrower income information. These loans are not included in this analysis.

The overall borrower distribution of all home mortgage loan products combined is poor in the Phoenix-Mesa MSA. Performance is poor, even after considering the percentage of families living below the poverty level – 9% during the 2001-2002 reporting period and 8% during the 2003 reporting period. In our analysis, we reduced the portion of low-income families by the portion of families living below the poverty level to arrive at the portion of families that, based on income level, could reasonably be expected to afford home mortgage loans. (Those families living above the poverty level.)

The borrower distribution of home purchase loans is poor in the Phoenix-Mesa MSA. The portion of home purchase loans made to low-income borrowers is significantly below the portion of low-income families living above the poverty level for both the 2001-2002 and the 2003 reporting periods. The portion of home purchase loans made to moderate-income borrowers is below the portion of families defined as moderate-income in 2001-2002, but exceeds the portion of families defined as such in 2003. The 2002 market share of loans to low income borrowers is significantly below overall market share, and is below for loans to moderate-income borrowers. However, the overall market share and the market share for loans to LMI borrowers are all well below 1%.

The borrower distribution of home improvement loans is poor in the Phoenix-Mesa MSA. The portion of home improvement loans made to LMI borrowers is significantly below the portion of LMI families living above the poverty level for both the 2001-2002 and the 2003 reporting periods. The 2002 market share data indicates very poor market share for loans to both LMI borrowers compared to overall market share.

The borrower distribution of home refinance loans is poor in the Phoenix-Mesa MSA. The portion of home refinance loans made to low-income borrowers is well below the portion of low-income families living above the poverty level for both the 2001-2002 and the 2003 reporting periods. The portion of home refinance loans made to moderate-income borrowers is below the portion of families defined as such for both the 2001-2002 and the 2003 reporting periods. The 2002 market share of loans compared to overall market share is significantly below for loans made to low-income borrowers and well below for loans made to moderate-income borrowers. However, the overall market share and the market share noted for LMI are well below 1%.

Small Loans to Businesses

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses for the 2003 reporting period.

The borrower distribution of small loans to businesses is adequate in the Phoenix-Mesa MSA. In 2003, the portion of loans made to small businesses (businesses with annual revenues of \$1 million or less) is below the portion of businesses defined as such. 2003 market share data is not currently available.

Community Development Lending

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans. Please note that Table 5 is excluded because the bank did not report any multifamily loans.

CD lending positively impacted the bank's lending test rating. FNBAZ provided an excellent level of CD loans. The bank originated thirteen CD loans totaling \$15.5 million. This represents 18% of allocated Tier 1 capital. (Tier 1 capital is allocated based on the portion of deposits in this AA.) A total of \$8.4 million helped provide affordable housing for LMI individuals and families. A portion of this represents construction funds and a permanent loan for a 120-unit multi-family apartment complex for LMI individuals. One loan provided funds for temporary housing for battered women, while another loan will help provide transitional housing for homeless individuals and those recovering from chemical dependence. \$7.1 million provided funds, which contributed to stabilization and revitalization of LMI geographies. The bank also originated two small loans to businesses, which have a CD purpose. One loan, which totaled \$199 thousand, helped stabilize a moderate-income CT, while the other loan, which totaled \$38 thousand, helped provide services for LMI.

Since the bank is adequately serving the lending needs of its AA, we also considered a CD loan totaling \$2.4 million which is located in the state of Arizona, but outside the bank's Tucson AA. This loan helped provide 108 affordable housing units for LMI individuals in Nogales, Arizona.

Product Innovation and Flexibility

The bank did not provide any innovative or flexible loan products during the review periods.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the lending test in the Tucson and Mojave County MSAs is consistent with the bank's overall "Low Satisfactory" rating performance under the lending test. An analysis of the loans originated in the Gila-Navajo non-MSA AA is not meaningful due to the small number of both HMDA and small loans to businesses originated. Refer to Tables 1 through 11 in appendix C for the facts and data for the 2001-2002 and the 2003 reporting periods that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

FNBAZ's performance under the investment test is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Phoenix-Mesa MSA is adequate. Refer to Table 13 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

In determining our conclusion under the investment test, consideration was given to when these investments were purchased. The bank had limited investments for most of the evaluation period. We also considered the availability of qualified investment opportunities in the AA. Although opportunities for qualified investments are not abundant, there are still a number of investment opportunities available for banks in the AA. For additional information regarding opportunities, please see the Phoenix-Mesa MSA market profile in appendix B.

In the Phoenix-Mesa MSA, qualified investments and grants total \$4.2 million. This amount represents all current period investments. There are no prior period investments. The substantial majority, just over \$4 million or 97%, of the investments in this AA consist of recently purchased mortgage-backed securities targeted to LMI borrowers both for purchase and refinance of residential real estate. The remaining portion of the investments include a \$100 thousand CD placed in a local CDFI, and \$39 thousand in various grants to community development service organizations that provide services and affordable housing to LMI individuals.

None of the investments are innovative or complex.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the investment test in the Tucson and Mohave County MSAs are consistent with the bank's overall "Low Satisfactory" performance under the investment test. In the Gila-Navajo non-MSA AA the bank's performance is weaker than the bank's overall performance. The bank attempted to increase the investments in this AA through the purchase of targeted mortgage-backed securities, but was not successful in locating such investments through a third party vendor. This did not have a negative impact on the overall conclusions of performance under the investment test for Arizona since this AA represents only 3.45% of the bank's deposits. Refer to Table 13 in appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the service test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Phoenix-Mesa MSA is adequate.

Retail Banking Services

Refer to Table 14 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.

FNBAZ's branch delivery system provides reasonable access to geographies and individuals of different income levels. In the Phoenix-Mesa MSA all branches are located in either middle or upper income CTs. However, this is somewhat mitigated by the fact that the bank did have three branches located in moderate-income CTs through 2003. After careful analysis, the bank decided to close those branches plus three others located in middle and upper income CTs due to lack of profitability, lackluster deposit generation, and poor cooperation of the location host, a nationally known retail store chain. These branches were converted to LPOs. Although, all remaining branches are located in middle and upper-income CTs, several are adjacent or near moderate-income CTs. In addition the full-service branches, which were converted to LPOs, still have mortgage loan officers, night depositories, and deposit taking ATMs.

The distribution of the ATM network currently provides adequate access to geographies and individuals of different income levels. The bank also has an agreement with a large nationwide banking company that allows FNBAZ customers to use approximately 85 ATMs in the Phoenix-Mesa AA at no cost. These ATMs are located throughout the AA including LMI geographies. All ATMs have the option of displaying information in either English or Spanish.

Banking hours and services do not vary significantly. Hours of operation for those branches near or adjacent to moderate-income CTs are comparable to those offered at other branch locations.

FNBAZ offers alternative delivery systems such as telephone banking, online business banking and electronic banking, which allow customers access to deposit and loan accounts and other services through the internet. The bank also offers low-cost checking accounts, including a free checking account, which requires \$100 to open an account with no minimum daily balance and no monthly maintenance fee. Customers receive a free ATM/Visa Check Card, free online banking, and free online bill pay with this account. However, we could not place significant weight on the bank's alternative delivery systems when drawing our CRA conclusions because no data was available to demonstrate that they have been effective for delivering retail banking services in LMI geographies and to LMI individuals.

The bank provides Spanish-speaking employees at the mortgage loan and retail services call centers. There are four employees for each call center, and one of each four can assist Spanish-speaking customers. Additionally, there are numerous branch and lending employees throughout the bank that also can provide assistance to Spanish-speaking clients.

Community Development Services

FNBAZ provided a good level of community development services in the Phoenix-Mesa MSA.

During the evaluation period, bank staff provided financial and/or technical expertise to six different organizations that promote community development initiatives. Four of these organizations provide community services to LMI individuals and families. The remaining two organizations are community and industrial development entities that participate in projects that provide affordable housing and revitalize and stabilize LMI neighborhoods. Following are three examples.

- A senior officer served on the board of directors for two separate organizations involved in development of affordable housing and economic development relating to job creation and small business. One of the organizations is a local industrial development authority (IDA). The IDA exists to foster economic growth and development and to address the financial needs of the community by providing assistance to nonprofit agencies, manufacturers and government entities to create jobs, develop affordable housing opportunities and help revitalize depressed neighborhoods. The other organization is a local community development corporation that undertakes similar activities. Specific projects during the evaluation period included developing multifamily and senior housing, a domestic violence shelter, and a retail center in a depressed area.
- Another bank officer serves in the Volunteer Lawyers Program for a county community legal services organization. The officer speaks Spanish fluently and was assigned four cases in 2003 that related to predatory lending. All clients were LMI Spanish speaking individuals or families.
- Other bank employees fulfill roles related to financial guidance for non-profit organizations that provide various community services and programs to LMI at-risk youth, their families, and other LMI adults.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the Tucson and Mohave County MSAs is stronger than the bank's overall "Low Satisfactory" performance. It is consistent with the overall service test rating in the Gila-Navajo Non-MSA AA. Refer to Table 14 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 non-metropolitan 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”).

Time Period Reviewed	Lending Test (excludes CD Loans):	01/01/01 to 12/31/02 01/01/03 to 12/31/03
	Investment and Service Tests and CD Loans:	01/01/01 to 06/01/04
Financial Institution		Products Reviewed
FNBAZ, Scottsdale, AZ		Home purchase, home improvement, home refinance, small business, and community development loans. Community development investments and community development services.
Affiliate(s)	Affiliate Relationship	Products Reviewed
FNBNV	Sister bank	Home purchase, home improvement, home refinance, and small business loans.
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Phoenix-Mesa MSA #6200	Full-Scope	
Tucson MSA #8520	Limited-Scope	
Mojave County MSA #4120	Limited-Scope	
Gila-Navajo Non-MSA... #9999	Limited-Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Phoenix-Mesa MSA.....	Appendix B-2
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Phoenix-Mesa MSA

Demographic Information for Full-Scope Area: Phoenix-Mesa MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	696	6.03	28.59	34.20	30.32	0.86
Population by Geography	3,251,876	4.82	30.47	36.20	28.50	0.01
Owner-Occupied Housing by Geography	812,085	1.61	23.75	39.35	35.30	0.00
Businesses by Geography	182,164	5.62	27.27	31.70	35.36	0.06
Farms by Geography	3,929	2.24	25.60	37.92	34.16	0.08
Family Distribution by Income Level	814,264	19.46	18.69	21.80	40.05	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	310,676	7.31	43.95	34.95	13.79	0.00
MFI	\$51,126	Median Housing Value (2000 US Census)		\$119,600		
HUD Adjusted MFI for 2003		Unemployment Rate (2000 US Census)		2.35%		
Households Below the Poverty Level	\$58,300 9.88%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

The Phoenix-Mesa MSA, which is comprised of Maricopa and Pinal Counties, is FNBAZ's largest AA. This AA accounts for 86% of the bank's deposits and 78% of the bank's loans. Based on deposits, the bank ranks tenth among 60 institutions in the AA. The bank operates eleven full service branches and four loan production offices located at a national department store chain throughout the AA. More than two-thirds of the bank's branches and ATMs are located in this AA.

Maricopa County is one of the largest counties in the country, covering a total of 9,200 square miles. The county is comprised of the city of Phoenix and several small cities such as Avondale, Buckeye, Chandler, Goodyear, Glendale, Mesa, Scottsdale, Tempe, and Wickenburg. In addition to the urban cities in the county, there is a large unincorporated area in Maricopa County and several Native American Communities, including the Fort McDowell Mohave Apache, the Salt River Pima Maricopa Indian, the AK-Chin Indian, and the Gila River Indian communities.

Pinal County was formed from portions of Maricopa and Pima County. The county encompasses 5,371 square miles, of which 30 square miles are water. In both economy and geography, Pinal County has two distinct regions. The eastern portion is characterized by mountains and copper mining. The western area is primarily low desert valleys and irrigated agriculture. The communities of Mammoth, Oracle, San Manuel, and Kearny are active in copper mining, smelting, milling, and refining. Arizona City, Eloy, Maricopa, Picacho, Red Rock, and Stanfield have agriculture-based economies. Apache Junction, Arizona City, Coolidge, Eloy and Casa Grande have diversified their economic base to include manufacturing, trade, and services. All of Pinal County is an Enterprise Zone.

U.S. Census data for the 1990 and 2000 census years indicates the number of CTs in the AA increased to 696 in 2000 from 490 in 1990. Proportionately, the distribution of low-, moderate, middle- and upper-income CTs did not change significantly in the 2000 census year from that noted in the 1990 census year. The portion of low-income CTs was 6% in both 1990 and 2000; the portion of moderate-income CTs was 25% in 1990 compared to 29% in 2000; the portion of middle-income CTs was 38% in 1990 compared to 24% in 2000; and the portion of upper-income CTs was 30% in both 1990 and 2000. Opportunities for lending in low-income CTs remained the same with over 13,000 owner-occupied units in these CTs. Owner occupied units in moderate-income CTs increased from 114,000 in 1990 to 194,000 in 2000, thereby, increasing opportunities for lending in these CTs. The proportion of LMI families remained fairly consistent. Low-income families represent 19.86% of total families in 1990 compared to 19.46% in 2000; moderate-income families represent 18.36% of total families in 1990 compared to 18.69% in 2000.

The Phoenix-Mesa MSA is in the midst of an economic growth period supported by thriving high tech, tourism, biomedical, and transportation industries. As of first quarter 2002, the median housing price was \$141,700 (based on information from the National Association of Realtors). The HUD adjusted MFI for 2004 is \$58,300. The unemployment rate as of December 31, 2003 was 4.2%.

FNBAZ operates in a highly competitive environment. In mortgage lending, the bank identifies its primary competitors as Bank One, Bank of America, Wells Fargo, Countrywide, and Washington Mutual. In commercial lending, Bank One, Wells Fargo, and National Bank of Arizona are the bank's primary competitors.

Information obtained from community groups indicates that although there is significant competition for the larger investments, there are still numerous opportunities for banks to provide both CD investments and loans in this AA. There are investment and lending opportunities available to support all types of home mortgage loans for LMI individuals and families. There is a need to provide micro loans ranging from, \$2,000 to \$35,000 and slightly larger loans ranging from \$35,000 to \$250,000 to small businesses. Other community development organizations that offer services to LMI are in need of funding and technical assistance, including educational assistance for first time homebuyers.

Appendix C: Tables of Performance Data

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: 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 MSA/AA. Tables without data are not included in this PE. This includes tables 5, 6, 7, 11, and 12 for 2001-2002 and tables 5, 7, and 12 for 2003.

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/AA. Community development loans to statewide or regional entities or made outside the bank’s AA may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 in *OCC Bulletin 99-22* dated June 3, 1999, for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/AA column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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/AA. 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 AA.
- 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 AA.
- 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 MSA/AA. 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. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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.

Table 14. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

Table 1. Lending Volume

Lending Volume		Geography: Arizona						Evaluation Period: January 1, 2001, to December 31, 2002				
MA/AA:	% 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)	
Full Review:												
Phoenix-Mesa MSA	77.44	3,569	593,780	0	0	0	0	13	15,596	3,582	609,376	86.37
Limited Review:												
Mojave County (Las Vegas MSA)	14.54	670	64,857	0	0	0	0	0	0	670	64,857	2.14
Tucson MSA	5.88	271	34,416	0	0	0	0	0	0	271	34,416	8.04
Gila-Navajo Non-MSA	2.15	99	10,594	0	0	0	0	0	0	99	10,594	3.45

* Loan Data as of 01/01/01-12/31/02. Rated area refers to either the state or multi-state MSA rating area.

** The evaluation period for Community Development Loans is 1/1/2001, to 6/1/2004.

*** Deposit Data as of 9/30/2003. Rated Area refers to 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, 2001, to December 31, 2002						
MA/AA:	Total Home Purchase 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	Over All	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	2,135	76.30	2.51	1.17	21.14	16.21	42.33	45.85	34.02	36.77	0.77	0.95	0.69	0.76	0.82
Limited Review:															
Mojave County (Las Vegas MSA)	457	16.33	4.85	1.09	37.23	14.22	55.93	83.15	1.99	1.53	3.98	2.50	1.78	4.65	4.58
Tucson MSA	164	5.86	2.84	2.44	19.92	17.07	38.83	35.37	38.42	45.12	0.34	0.30	0.58	0.41	0.25
Gila-Navajo Non-MSA	42	1.50	11.34	0.00	14.17	0.00	43.06	78.57	31.43	21.43	0.61	0.00	0.00	0.76	0.43

* Based on 2002 US Peer Mortgage Data.

** Home purchase loans originated and purchased in the MSA/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 housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: Home Improvement			Geography: Arizona						Evaluation Period: January 1, 2001, to December 31, 2002						
MA/AA:	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	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	206	92.79	2.51	0.49	21.14	7.77	42.33	48.54	34.02	43.20	1.79	1.20	1.01	1.80	2.08
Limited Review:															
Mojave County (Las Vegas MSA)	2	0.90	4.85	0.00	37.23	50.00	55.93	50.00	1.99	0.00	1.08	0.00	1.92	0.82	0.00
Tucson MSA	13	5.86	2.84	0.00	19.92	7.69	38.83	23.08	38.42	69.23	0.50	0.00	0.33	0.53	0.55
Gila-Navajo Non-MSA	1	0.45	11.34	0.00	14.17	0.00	43.06	0.00	31.43	100.00	0.60	0.00	0.00	0.00	1.41

* Based on 2002 US Peer Mortgage Data.

** Home improvement loans originated and purchased in the MSA/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 housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: Home Mortgage Refinance			Geography: Arizona				Evaluation Period: January 1, 2001, to December 31, 2002									
MA/AA:	Total Home Mortgage Refinance 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	Over All	Low	Mod	Mid	Upp	
Full Review:																
Phoenix-Mesa MSA	1,228	77.28	2.51	0.90	21.14	12.46	42.33	36.89	34.02	49.76	0.28	0.35	0.26	0.23	0.33	
Limited Review:																
Mojave County (Las Vegas MSA)	211	13.28	4.85	0.00	37.23	18.01	55.93	80.57	1.99	1.42	1.58	0.00	1.05	1.80	0.92	
Tucson MSA	94	5.92	2.84	1.06	19.92	21.28	38.83	37.23	38.42	40.43	0.11	0.00	0.22	0.11	0.09	
Gila-Navajo Non-MSA	56	3.52	11.34	0.00	14.17	0.00	43.06	57.14	31.43	42.86	0.47	0.00	0.00	0.53	0.39	

* Based on 2002 US Peer Mortgage Data.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: Home Purchase		Geography: Arizona								Evaluation Period: January 1, 2001, to December 31, 2002					
MA/AA:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ***	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	2,135	76.30	19.86	2.50	18.36	14.06	23.13	24.27	38.65	59.17	0.35	0.13	0.21	0.31	0.52
Limited Review:															
Mojave County (Las Vegas MSA)	457	16.33	26.23	10.72	24.13	25.87	23.30	29.37	26.35	34.03	4.27	2.10	4.52	5.24	4.25
Tucson MSA	164	5.86	20.55	1.92	17.75	9.62	22.37	28.85	39.33	59.62	0.10	0.06	0.06	0.11	0.13
Gila-Navajo Non-MSA	42	1.50	26.93	2.94	17.08	14.71	17.83	11.76	38.16	70.59	0.53	0.50	1.05	0.57	0.46

* Based on 2002 US Peer Mortgage Data.

** As a percentage of loans with borrower income information available. No information was available for 47.3% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 Census information.

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

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: Home Improvement			Geography: Arizona						Evaluation Period: January 1, 2001, TO December 31, 2002						
MA/AA:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	206	92.79	19.86	0.49	18.36	4.90	23.13	16.18	38.65	78.43	1.88	0.19	0.52	0.95	3.19
Limited Review:															
Mojave County (Las Vegas MSA)	2	0.90	26.23	0.00	24.13	0.00	23.30	50.00	26.35	50.00	1.14	0.00	0.00	1.89	1.69
Tucson MSA	13	5.86	20.55	0.00	17.75	15.38	22.37	0.00	39.33	84.62	0.52	0.00	0.64	0.00	0.82
Gila-Navajo Non-MSA	1	0.45	26.93	0.00	17.08	0.00	17.83	100.00	38.16	0.00	0.61	0.00	0.00	2.56	0.00

* Based on 2002 US Peer Mortgage Data.

** As a percentage of loans with borrower income information available. No information was available for 0.9% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 Census information.

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

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: Home Mortgage Refinance			Geography: Arizona						Evaluation Period: January 1, 2001, to December 31, 2002						
MA/AA:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% BANK Loans ****	% Families ***	% BANK Loans ****	Over All	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	1,228	77.28	19.86	3.84	18.36	13.61	23.13	21.30	38.65	61.25	0.27	0.13	0.17	0.23	0.35
Limited Review:															
Mojave County (Las Vegas MSA)	211	13.28	26.23	13.33	24.13	25.64	23.30	18.97	26.35	42.05	1.84	2.13	1.51	1.21	2.39
Tucson MSA	94	5.92	20.55	4.55	17.75	16.67	22.37	33.33	39.33	45.45	0.09	0.10	0.10	0.07	0.09
Gila-Navajo Non-MSA	56	3.52	26.93	3.85	17.08	9.62	17.83	25.00	38.16	61.54	0.48	0.00	0.79	0.60	0.43

* Based on 2002 US Peer Mortgage Data.

** As a percentage of loans with borrower income information available. No information was available for 23.0% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 1990 Census information.

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

Table 13. Qualified Investments

Qualified Investments		Geography: Arizona				Evaluation Period: January 1, 2001, to June 1, 2004			
MA/AA:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Phoenix-Mesa MSA	0	0	19	4,221	19	4,221	91.78	0	0
Limited Review:									
Mojave County (Las Vegas MSA)	0	0	1	50	1	50	1.09	0	0
Tucson MSA	0	0	4	327	4	327	7.11	0	0
Gila-Navajo Non-MSA	0	0	1	1	1	1	.02	0	0

* 'Prior Period Investments' means investments made in a previous evaluation 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 14. Distribution of Branch Delivery System and Branch Openings/Closings

Distribution of Branch Delivery System and Branch Openings/Closings								Geography: Arizona				Evaluation Period: January 1, 2001, to June 1, 2004					
MA/AA:	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
Full Review:																	
Phoenix-Mesa MSA	86.37	11	68.75	0.00	0.00	54.54	45.45	17	6	0	0	6	5	4.82	30.47	36.20	28.50
Limited Review:																	
Mojave County (Las Vegas MSA)	2.14	1	6.25	0.00	100.00	0.00	0.00	1	0	0	1	0	0	0.85	56.21	41.37	1.57
Tucson MSA	8.04	2	12.50	0.00	50.00	50.00	0.00	3	1	0	1	1	0	4.41	33.94	33.03	28.62
Gila-Navajo Non-MSA	3.45	2	12.50	0.00	0.00	100.00	0.00	3	1	0	0	2	0	8.64	21.29	62.31	7.76

Table 1. Lending Volume

Lending Volume		Geography: Arizona						Evaluation Period: January 1, 2003, to December 31, 2003				
MA/AA:	% 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)	
Full Review:												
Phoenix-Mesa MSA	78.81	2,523	444,606	196	47,300	0	0	13	15,596	2,732	507,502	86.37
Limited Review:												
Mojave County (Las Vegas MSA)	10.70	360	42,736	10	1,379	0	0	0	0	370	44,115	2.14
Tucson MSA	8.56	282	40,713	14	3,646	0	0	0	0	296	44,359	8.04
Gila-Navajo Non-MSA	1.94	54	6,476	13	1,858	0	0	0	0	67	8,334	3.45

* Loan Data as of 01/01/03-12/31/03. Rated area refers to either the state or multi-state MSA rating area.

** The evaluation period for Community Development Loans is 1/1/2001, to 6/1/2004.

*** Deposit Data as of 9/30/2003. Rated Area refers to 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, 2003, TO December 31, 2003						
MA/AA:	Total Home Purchase 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	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	1,455	76.78	1.61	0.76	23.75	16.77	39.35	39.59	35.30	42.89	NA	NA	NA	NA	NA
Limited Review:															
Mojave County (Las Vegas MSA)	257	13.56	0.36	0.00	52.18	48.25	45.24	50.19	2.22	1.56	NA	NA	NA	NA	NA
Tucson MSA	164	8.65	2.25	0.61	24.74	18.90	36.40	35.98	36.61	44.51	NA	NA	NA	NA	NA
Gila-Navajo Non-MSA	19	1.00	6.02	0.00	15.94	10.53	68.23	73.68	9.81	15.79	NA	NA	NA	NA	NA

* 2003 US Peer Mortgage Data is not currently available.

** Home purchase loans originated and purchased in the MSA/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 housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: Home Improvement			Geography: Arizona								Evaluation Period: January 1, 2003, TO December 31, 2003				
MA/AA:	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	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	170	89.47	1.61	1.18	23.75	8.82	39.35	35.88	35.30	54.12	NA	NA	NA	NA	NA
Limited Review:															
Mojave County (Las Vegas MSA)	0	0.00	0.36	0.00	52.18	0.00	45.24	0.00	2.22	0.00	NA	NA	NA	NA	NA
Tucson MSA	20	10.53	2.25	0.00	24.74	0.00	36.40	30.00	36.61	70.00	NA	NA	NA	NA	NA
Gila-Navajo Non-MSA	0	0.00	6.02	0.00	15.94	0.00	68.23	0.00	9.81	0.00	NA	NA	NA	NA	NA

* 2003 US Peer Mortgage Data is not currently available.

** Home improvement loans originated and purchased in the MSA/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 housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: Home Mortgage Refinance			Geography: Arizona				Evaluation Period: January 1, 2003, TO December 31, 2003									
MA/AA:	Total Home Mortgage Refinance 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	Over All	Low	Mod	Mid	Upp	
Full Review:																
Phoenix-Mesa MSA	886	78.97	1.61	1.47	23.75	10.27	39.35	27.54	35.30	60.72	NA	NA	NA	NA	NA	
Limited Review:																
Mojave County (Las Vegas MSA)	103	9.18	0.36	0.00	52.18	37.86	45.24	60.19	2.22	1.94	NA	NA	NA	NA	NA	
Tucson MSA	98	8.73	2.25	1.02	24.74	19.39	36.40	33.67	36.61	45.92	NA	NA	NA	NA	NA	
Gila-Navajo Non-MSA	35	3.12	6.02	0.00	15.94	5.71	68.23	80.00	9.81	14.29	NA	NA	NA	NA	NA	

* 2003 US Peer Mortgage Data is not currently available.

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

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

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: Small Loans To Businesses				Geography: Arizona				Evaluation Period: January 1, 2003, to December 31, 2003							
MA/AA:	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	Over All	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	196	84.12	5.62	9.18	27.28	22.96	31.72	33.16	35.38	34.69	NA	NA	NA	NA	NA
Limited Review:															
Mojave County (Las Vegas MSA)	10	4.29	0.52	0.00	56.50	60.00	40.19	30.00	2.79	10.00	NA	NA	NA	NA	NA
Tucson MSA	14	6.01	4.51	0.00	33.72	21.43	34.14	42.86	27.63	35.71	NA	NA	NA	NA	NA
Gila-Navajo Non-MSA	13	5.58	0.47	0.00	2.61	0.00	85.70	100.00	11.21	0.00	NA	NA	NA	NA	NA

* 2003 US Peer Small Business Data is not currently available.

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

*** Source Data - Dun and Bradstreet 2003

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: Home Purchase			Geography: Arizona				Evaluation Period: January 1, 2003, TO December 31, 2003									
MA/AA:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	Over all	Low	Mod	Mid	Upp	
Full Review:																
Phoenix-Mesa MSA	1,461	76.85	19.46	3.06	18.69	19.39	21.80	23.34	40.05	54.21	NA	NA	NA	NA	NA	
Limited Review:																
Mojave County (Las Vegas MSA)	257	13.52	28.00	7.73	25.52	14.59	22.70	24.46	23.78	53.22	NA	NA	NA	NA	NA	
Tucson MSA	164	8.63	20.12	5.88	18.51	17.65	21.13	25.49	40.24	50.98	NA	NA	NA	NA	NA	
Gila-Navajo Non-MSA	19	1.00	24.45	6.67	17.69	6.67	20.23	13.33	37.62	73.33	NA	NA	NA	NA	NA	

* 2003 US Peer Mortgage Data is not currently available.

** As a percentage of loans with borrower income information available. No information was available for 40.3% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 Census information.

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

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: Home Improvement			Geography: Arizona						Evaluation Period: January 1, 2003, to December 31, 2003						
MA/AA:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	Over all	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	171	89.53	19.46	2.40	18.69	7.19	21.80	24.55	40.05	65.87	NA	NA	NA	NA	NA
Limited Review:															
Mojave County (Las Vegas MSA)	0	0.00	28.00	0.00	25.52	0.00	22.70	0.00	23.78	0.00	NA	NA	NA	NA	NA
Tucson MSA	20	10.47	20.12	0.00	18.51	5.00	21.13	0.00	40.24	95.00	NA	NA	NA	NA	NA
Gila-Navajo Non-MSA	0	0.00	24.45	0.00	17.69	0.00	20.23	0.00	37.62	0.00	NA	NA	NA	NA	NA

*2003 US Peer Mortgage Data is not currently available.

** As a percentage of loans with borrower income information available. No information was available for 2.1% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 Census information.

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

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: Home Mortgage Refinance			Geography: Arizona						Evaluation Period: January 1, 2003, to December 31, 2003						
MA/AA:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total **	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	% Families ***	% Bank Loans ****	Over All	Low	Mod	Mid	Upp
Full Review:															
Phoenix-Mesa MSA	891	79.06	19.46	3.01	18.69	11.33	21.80	21.09	40.05	64.56	NA	NA	NA	NA	NA
Limited Review:															
Mojave County (Las Vegas MSA)	103	9.14	28.00	18.95	25.52	17.89	22.70	21.05	23.78	42.11	NA	NA	NA	NA	NA
Tucson MSA	98	8.70	20.12	3.53	18.51	11.76	21.13	22.35	40.24	62.35	NA	NA	NA	NA	NA
Gila-Navajo Non-MSA	35	3.11	24.45	0.00	17.69	31.03	20.23	3.45	37.62	65.52	NA	NA	NA	NA	NA

* 2003 US Peer Mortgage Data is not currently available.

** As a percentage of loans with borrower income information available. No information was available for 19.6% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 Census information.

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

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: Small Loans to Businesses				Geography: Arizona		Evaluation Period: January 1, 2003, to December 31, 2003			
MA/AA:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total **	% of Businesses ***	% Bank Loans ****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Phoenix-Mesa MSA	196	84.12	62.04	46.43	41.33	24.49	34.18	NA	NA
Limited Review:									
Mojave County (Las Vegas MSA)	10	4.29	69.53	50.00	50.00	30.00	20.00	NA	NA
Tucson MSA	14	6.01	63.56	71.43	42.86	21.43	35.71	NA	NA
Gila-Navajo Non-MSA	13	5.58	65.95	61.54	38.46	53.85	7.69	NA	NA

*2003 US Peer Small Business Data is not currently available.

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

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B –2003).

**** 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 3.43% of small loans to businesses originated and purchased by the Bank.

Table 13. Qualified Investments

Qualified Investments		Geography: Arizona				Evaluation Period: January 1, 2001 to June 1, 2004			
MA/AA:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Phoenix-Mesa MSA	0	0	19	4,221	19	4,221	91.78	0	0.00
Limited Review:									
Mojave County (Las Vegas MSA)	0	0	1	50	1	50	1.09	0	0
Tucson MSA	0	0	4	327	4	327	7.11	0	0.00
Gila-Navajo Non-MSA	0	0	1	1	1	1	.02	0	0.00

* Prior Period Investments' means investments made in a previous evaluation 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 14. Distribution of Branch Delivery System and Branch Openings/Closings

Distribution Of Branch Delivery System and Branch Openings/Closings				Geography: Arizona				Evaluation Period: January 1, 2001, to June 1, 2004									
MA/AA:	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
Full Review:																	
Phoenix-Mesa MSA	86.37	11	68.75	0.00	0.00	54.54	45.45	17	6	0	0	6	5	4.82	30.47	36.20	28.50
Limited Review:																	
Mojave County (Las Vegas MSA)	2.14	1	6.25	0.00	100.00	0.00	0.00	1	0	0	1	0	0	0.85	56.21	41.37	1.57
Tucson MSA	8.04	2	12.50	0.00	50.00	50.00	0.00	3	1	0	1	1	0	4.41	33.94	33.03	28.62
Gila-Navajo Non-MSA	3.45	2	12.50	0.00	0.00	100.00	0.00	3	1	0	0	2	0	8.64	21.29	62.31	7.76

