



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 08, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sonoran Bank, National Association
Charter Number 24623

3877 North 7th Street, Suite 150, Siete Square IV
Phoenix, Arizona 85014-0000

Office of the Comptroller of the Currency

Arizona & New Mexico Field Office
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 Outstanding.

Sonoran Bank's (SB) lending performance reflects an outstanding response to community credit needs. This is based on the following.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area's (AA) credit needs.
- The bank originates the substantial majority of their loans inside the AA.
- The distribution of business loans among businesses of different sizes is excellent, given the demographics of the AA.
- The geographic distribution of loans throughout the AA is excellent.

SCOPE OF EXAMINATION

This examination consisted of a full scope review of the bank's single assessment area. The lending test covers year-to-date, 2009 information and the previous three calendar years 2006, 2007, and 2008 (referred to in this report as the evaluation period). We identified business loans as the bank's primary product based on the number and dollar amount of loans originated in the evaluation period. There were no affiliate loans to review.

We sampled 20 loans from the bank's primary loan product. The data from the original business loan sample was used to calculate the inside/outside AA ratio. To perform other lending tests, we eliminated loans outside the AA from the original sample and added enough additional loans to provide a sample of 20 business loans inside the AA. The sample is representative of the bank's business strategy.

DESCRIPTION OF INSTITUTION

There are no financial or legal impediments that hinder the bank's ability to help meet the credit needs of the AA. This is the bank's first CRA examination.

SB is a community bank located in Phoenix, Arizona. As of March 31, 2009, SB had \$30.7 million in averages assets and total gross loans of \$17.9 million, or 58 percent of total assets. Sonoran operates one main office and does not currently operate any additional branches or deposit-taking ATMs. The bank has neither opened nor closed any branch offices since the bank was chartered June 26, 2006. The bank is an independent bank and not a subsidiary of a bank holding company; there are no affiliates.

SB's primary lending focus is small business loans. In terms of dollars, commercial, commercial real estate, and construction and development loans represented 89% of the bank's total loan portfolio as of March 31, 2009.

Additional details about the bank may be found in its Public File, maintained at the main office of the bank.

DESCRIPTION OF ASSESSMENT AREA(S)

Sonoran Bank has designated its assessment area to be Maricopa County, which comprises the largest portion of the Phoenix-Mesa-Scottsdale, Arizona multiple statistical area (MSA). Maricopa County includes 4 other-, 40 low-, 181 moderate-, 230 middle-, and 203 upper-income tracts. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

The economy of Maricopa County is diverse and based in retail trade, administrative management, and remediation services, and construction. Major employers include the State of Arizona, Wal-Mart Stores Inc., and Banner Health Inc. SB is in an area with a diversified employment base but local economic conditions are deteriorating. According to the United States Bureau of Labor Statistics, over the last three years, unemployment rates for Maricopa County has risen steady from 2.7 percent as of May 2007 to 7.1 percent as of May 2009.

Competition for financial services is strong. The June 30, 2008 FDIC Deposit Market Share Report showed 77 financial institutions competed for over \$56 billion of insured deposits. The nature of the competition includes hundreds of branches of nation-wide financial institutions that account for the large majority of the deposit market share. SB is one of the smaller institutions in Maricopa County and has a limited presence; approximately 0.03 percent of the deposit market share, within the competitive assessment areas (AA) and does not operate outside the area. The majority of the other competitors have a significant presence and access to other loans and deposits outside the local market.

There are several similarly situated banks in the marketplace. The similarities are identified in terms of size, geographic presence, and lines of business. Due to the large amount of banks in the local area, we used similar banks that were chartered around the same time as SB to evaluate the bank's loan-to-deposit (LTD) ratio.

To gather more current information on the nature of the economic conditions and potential community development opportunities in the AA, we contacted a local community leader during this examination. The contact stated that the local economy was deteriorating and many local financial institutions have tightened their credit underwriting standards; however, they have remained supportive in meeting the credit needs of the community. The contact works with a nonprofit organization formed by corporate, government, and civic leaders. The organization's main purpose is to connect minority based businesses with the contacts and resources necessary to have access to competitive contract-bidding opportunities. The contact identified business lending as the primary credit need in the AA. The contact said that the major long-term issue facing Arizona is the significant downturn in the local economy which has been affected more severely by the national recession than most parts of the country. He

noted that given the downturn in the economy, many businesses are struggling and in need of additional financing, but many lenders have tightened their underwriting standards making it difficult to qualify for a loan.

Maps and additional information about the bank’s assessment area may be found in the bank’s Public File, maintained at the main office of the bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SB’s LTD ratio is reasonable given the size and financial condition of the bank, and the credit needs of the AA. SB’s average quarterly LTD ratio from June 2007 to December 2008 was 81 percent, while it’s five primary competitors’ LTD ratios averaged 99 percent. However two of the competitors skew this average with high LTD ratios that are not typical for de novo banks operating in a safe and sound condition. Excluding these two banks the four remaining banks’ average quarterly LTD is 83 and reasonably in line with SB.

Lending in Assessment Area

The substantial majority of the bank’s loans are within the bank’s AA. Our analysis determined that 80 percent of the number of loans and 87 percent of the dollar amount of the loans in our sample were made inside the bank’s AA. See Table 1 below.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	16	80%	4	20%	20	6,868,399	87%	1,016,363	13%	7,884,762

Source: Sample of loans.

Lending to Businesses of Different Sizes

The distribution of business loans among businesses of different sizes given the demographics of the AA is excellent. Table 2A shows that 62 percent of the businesses in the AA area are small businesses (businesses with annual gross revenues of \$1 million or less). 74 percent by dollar amount of the loans in our sample were made to small businesses. Of the 20 loans we sampled, 12 loans, or 60 percent of the loans in our sample by number, were made to small businesses. This number is slightly skewed as 4 of the 8 loans made to businesses with annual revenues over \$1 million dollars were made to the same two businesses. As a result, we relied more heavily on the percent by dollar amount as opposed to the percent by number.

Table 2A - Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	62	5	33	100%
% of Bank Loans in AA by #	60	40	0	100%
% of Bank Loans in AA by \$	74	26	0	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of business loans reflects an excellent dispersion throughout the AA. According to Dunn and Bradstreet data for SB’s assessment area, 5 percent and 23 percent of businesses were located in the low- and moderate-income census tracts (CTs) respectively. The bank meets the demographic statistics for low income business lending as 5 percent of the loans that we sampled were located in low-income census tracts. The bank’s performance lending to moderate-income geographies is excellent as 40 percent of the loans that we sampled were located in moderate-income CTs, significantly above the demographics for moderate-income CTs. See table 3A below.

Table 3A - Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	5	5	23	40	32	25	40	30

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

Sonoran Bank has not received any complaints or its performance in helping to meet AA credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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