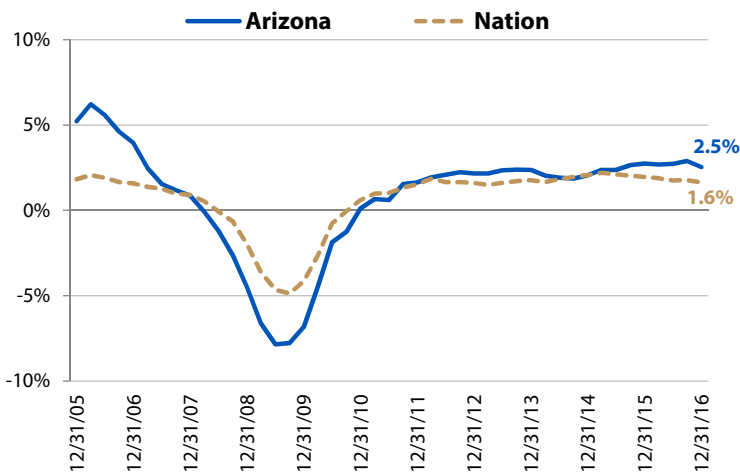


- Arizona's economy continued to perform well. Job growth and average home price growth in 2016 ranked among the top ten states in the nation, although home prices still remained below their pre-crisis peaks. The state's unemployment rate continued its downward trend in line with national levels. While new home permits and starts have remained at relatively low levels, activity is expected to pick up over the next few years, per Moody's Analytics.
- Arizona banks have recovered significantly since the recession with recent performance approximating bank averages nationwide. The average nonperforming asset ratio descended from 6.0% in late 2009, the second highest in the nation, to a level slightly below national average by year-end 2016. CRE concentrations remained relatively high, but were well-below previous levels, and the proportion made up of construction and land development, at 39% of total capital, remained sharply lower than the 2008 peak of 219%. CRE concentrations weighed on risk-based capital measures.

Key Economic Metrics (ranking #1 = highest in the nation)

Year-over-Year Job Growth: 2.5%

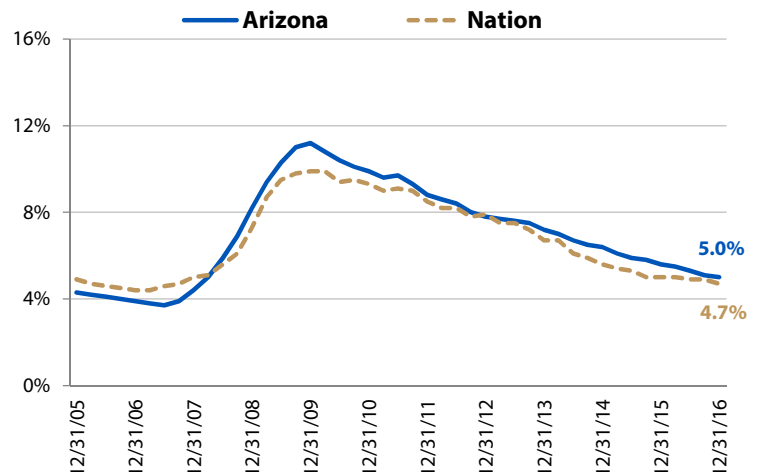
Rank: #8



Establishment Survey, nonfarm payrolls, quarterly average, seasonally adjusted
Source: Bureau of Labor Statistics

Unemployment: 5.0%

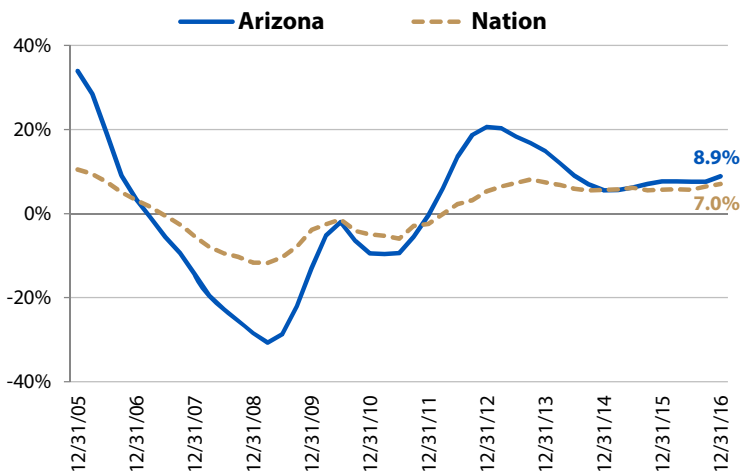
Rank: #16



Household Employment Survey, end of period, seasonally adjusted
Source: Bureau of Labor Statistics

Year-over-Year Home Price Growth: 8.9%

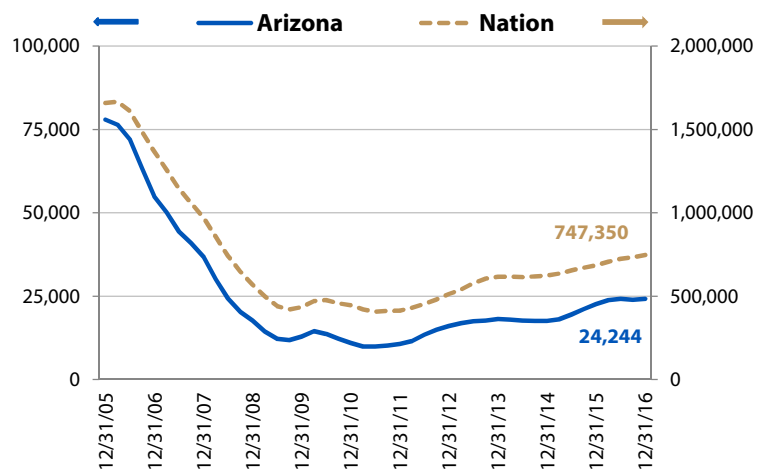
Rank: #9



Housing Price Index, year-over-year change of average home prices
Source: Federal Housing Finance Agency

Housing Permit Volume: 24,244

Rank: #12

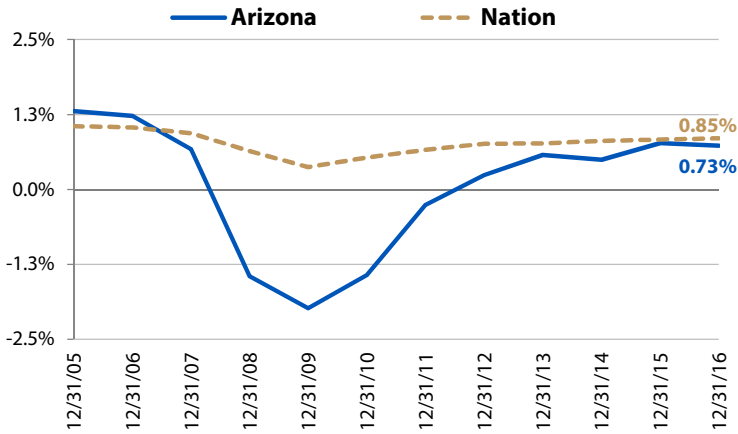


Single family permits, trailing four quarter total; ranking based on number of new permit volumes / estimated total households by state
Source: Census Bureau

Key Banking Metrics (averages across banks; ranking #1 = highest in the nation)

Year-to-Date Return On Assets: 0.73%

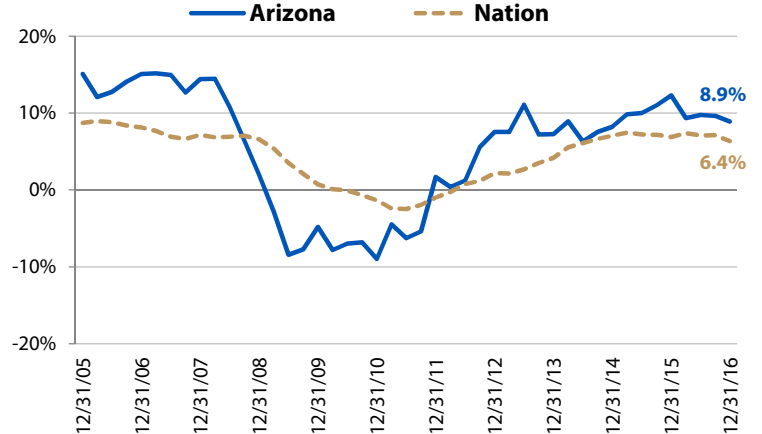
Rank: #43



Net income / average assets, adjusted for S-Corps, annualized

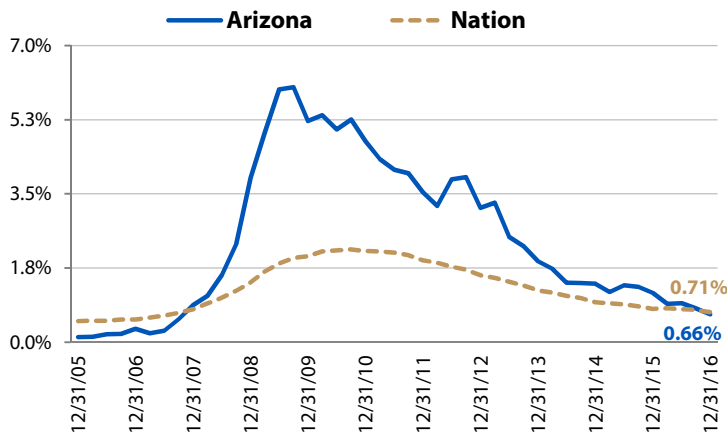
Year-over-Year Net Loan Growth: 8.9%

Rank: #14



Nonperforming Assets / Total Assets: 0.66%

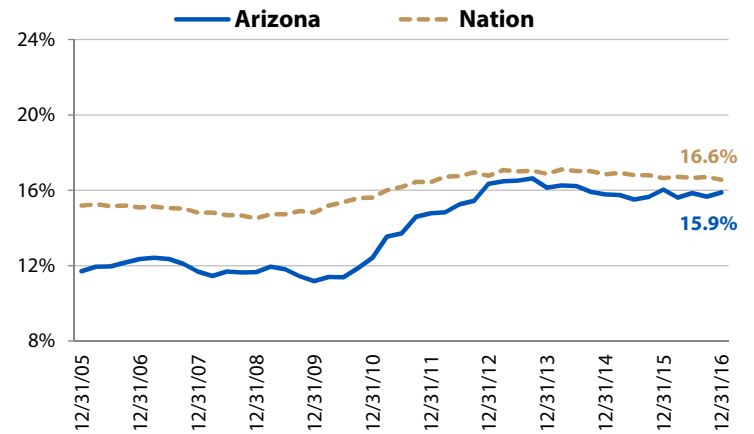
Rank: #33



90+ days past due + nonaccruals + other real estate owned / total assets

Total Risk-Based Capital: 15.9%

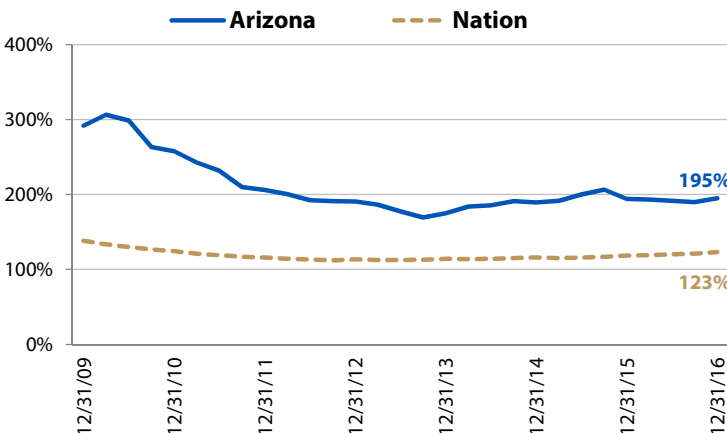
Rank: #30



Total capital / risk-weighted assets

CRE Concentration: 195%

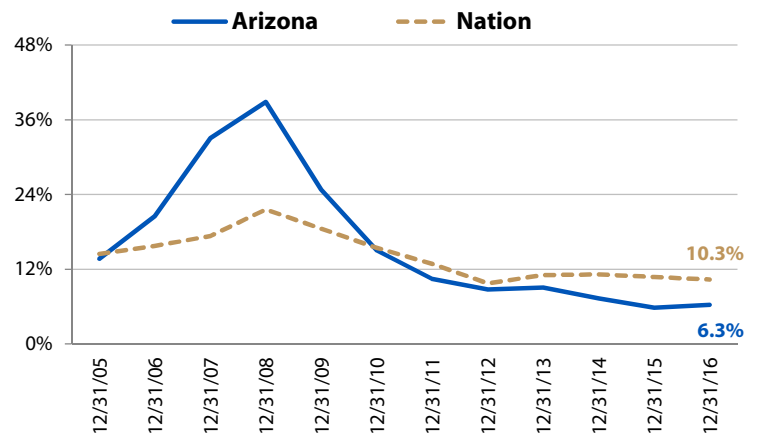
Rank: #11



Total nonowner-occupied commercial real estate / total capital (data first available in 2009)

Net Noncore Funding Dependence: 6.3%

Rank: #40



Noncore liabilities (using 100k threshold) less short term investments / long term assets

Source: Call Report data for commercial banks based upon headquarters location. Averages are calculated on a "trimmed" basis by removing the highest 10% and lowest 10% of ratio values prior to averaging to prevent distortion from outliers. All charts display quarterly data, except for return on average assets and net noncore funding dependence which display the same quarter in each year. Growth rates are not adjusted for mergers. Graphics and data exclude "De Novo" banks (banks less than five years old). As of the latest period, the count of banks included in these statistics were 16 for the state and 5,082 for the nation.