PUBLIC DISCLOSURE

July 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of Nevada
12-32-0051-0000
1400 South Rainbow Boulevard
Las Vegas, Nevada 89102

Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

I.	General Information		1
II.	Institution Rating		1
III.	Performance Context		
	A.	Description of Institution	1
	B.	Description of Assessment Area	2
IV.	Performance Criteria		
	A.	Loan-to-Deposit Ratio	5
	B.	Lending in Assessment Area	6
	C.	Geographic Distribution of Loans	6
	D.	Lending by Business Revenue	8
	E.	Response to Complaints	9
V.	Compliance With Anti-Discrimination Laws and Regulations		9
VI.	Appendix A – Glossary of Terms		10

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance for ***Community Bank of Nevada*** *prepared by the* ***Federal Reserve Bank of San Francisco****, the institution's supervisory agency, as of* ***July 13, 1998****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to CFR Part 228.*

Institution's CRA Rating: This institution is rated satisfactory.

Community Bank of Nevada's overall performance continues to be satisfactory. The bank's lending record shows an excellent concentration within its assessment area, and its loan-to-deposit ratio demonstrates a response to overall credit needs consistent with its resources and capacity. The assessment disclosed a reasonable delivery of credit, measured by small businesses loan originations, throughout the bank's different income geographies as well as to businesses of different sizes. In its third year of operation, the bank has developed a menu of services and strategy for growth to enable ongoing responsiveness to small businesses within its assessments area, including those in low- and moderate-income geographies.

DESCRIPTION OF INSTITUTION:

Community Bank of Nevada opened for business on July 14, 1995. As a locally headquartered financial institution, the bank's primary focus is to meet the credit needs of commercial enterprises in Clark County, Nevada. Besides the main office, the bank operates one other branch, the East Branch, which is also located in Las Vegas and opened in August 1997. During the period between examinations, the bank also received approval to open an additional office, the Summerlin Branch, scheduled to open on July 27, 1998.

Although primarily a business lender, the bank continues to offer a variety of open and closed-end consumer credit products. These products are extended to the bank's existing business clients as well as to other individual consumers.

Since the bank's inception, management has focused on growth. Based on March 31 comparative data for the most recent two examinations, the bank has experienced rapid growth measured by assets which more than tripled from $43 million at March 31, 1996 to $134 million at March 31, 1998. Gross loans continued to represent the primary component of the bank's

asset base, aggregating $75 million or 56% of total assets. Depicted in the following table is the composition of the loan portfolio by loan type:

Gross Loan Portfolio Composition - March 31, 1998

Loan Type	Percent of Total Loans
Construction and Development	22
1-4 Family Residential	6
Multi-family Residential	1
Non-Farm, Non-Residential	39
Commercial and Industrial	29
Consumer Installment	2
All Other Loans	1
Total:	100

As reflected in the table, the bank's primary lending products are commercial loans (non-farm, non-residential real estate and commercial and industrial), representing 68% of the bank's loan portfolio. In addition to its conventional commercial financing, the bank continues to extend Small Business Administration (SBA) loans to maximize its response to the small business sector of its assessment area. The loan portfolio composition also depicts a secondary lending concentration in real estate construction and development financing. This lending category continues the bank's wholesale lending focus, as it includes construction financing to commercial real estate developers specializing in tract housing. In response to the affordable housing demand emanating from its growing market, the bank also participates in loans granted through the Nevada Community Reinvestment Corporation, a consortium of lenders that primarily grants loans to finance affordable housing.

Although the bank has no financial constraints or legal impediments that may hinder credit extensions, the bank continues to face a competitive marketplace. New commercial banks, capitalizing on the growth in the city of Las Vegas, have been rapidly moving into the area. These financial institutions together with local branches of large statewide organizations continue to present a challenging business environment for Community Bank of Nevada. At its previous CRA examination, the bank received a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

Since the previous examination, Community Bank of Nevada expanded its assessment area from 52 to 96 census tracts. The expansion was largely facilitated by the start-up of the East Branch in Maryland Parkway, Las Vegas, Nevada. As a result, the assessment area now comprises 80% of Clark County, which is a part of the Las Vegas, NV-AZ Metropolitan Statistical Area (MSA). Besides Clark County, this MSA also consists of Nye County in Nevada and Mohave County in Arizona.

Clark County, located in southern Nevada, contains 120 census tracts and includes the cities of Las Vegas, Henderson, North Las Vegas, Boulder City and Mesquite. The bank's assessment

area is comprised of 96 geographically contiguous census tracts located in the central and western portion of Clark County.

Depicted in the following table is the income composition of the tracts in the bank's assessment area, along with the corresponding population and number of families that resided within them as of the 1990 U.S. Census.

Census Tract Income Levels

Income Level	Total Census Tracts		Total Population		Total Families	
	#	%	#	%	#	%
Low	7	7	26,370	4	5,249	2
Moderate	21	22	115,539	20	26,681	11
Middle	46	48	289,177	49	74,529	32
Upper	22	23	161,215	27	44,890	19
Total:	96	100	592,301	100	151,349	64

Included in the bank's assessment is the Las Vegas "Strip." A part of Las Vegas Boulevard, it began in the 1940's as a two-lane highway leading from Los Angeles to Las Vegas. It is now lined with megaresorts and attractions which beckon to the city's millions of tourists and conventioneers.

The median family income for the assessment area is $33,467, slightly below MSA of $33,965. Population statistics[1] for the State of Nevada indicate a figure of 1,781,750, of which 1,192,200 or 67% of the people reside within Clark County. Both the county and the state have experienced rapid growth with the population of Clark County steadily outpacing the state. Growth rates, from the period of 1995 to 1997, reflect 15% for the county and 12% for the state. It is currently estimated that approximately 6,000 people move to southern Nevada each month, making Clark County the fastest growing county in the nation.

According to the Las Vegas study, as of March 1998 the unemployment rate in Clark County was 4.1%. This is slightly lower than the state's unemployment rate of 4.3%. According to U.S. census data, the majority (approximately 54%) of the jobs in Clark County emanate from the service industry with approximately 30% percent of the service industry jobs concentrated in the hotel and lodging sector of the market. All of the growth in Clark County has been driven by existing industries, particularly the gaming industry with its myriad of casinos. The convention industry, which hosts approximately 3,000 conventions, meetings, and trade shows annually, also plays an important role in keeping unemployment rates at an acceptable level.

The steady increase of new residents has fueled growth in the construction industry. In 1996 and 1997 combined, over 59,000 housing units were permitted. An analysis of in-migration and housing stock performed by the Las Vegas study, using home permits issuance as well as vacancy rates, suggests that the housing needs of the area are being met. Nonetheless, a community contact conveyed that the cost of housing is prohibitive. Additionally, the

[1] Study prepared by The Center of Business and Economic Research (CBER) from the University of Nevada, Las Vegas (Las Vegas study)

availability of affordable housing is minimized by units requiring much-needed rehabilitation in an environment where contractors focus on new construction.

Consistent with the needs expressed by community contacts interviewed during examination, an analysis of the demographics of the census tracts within the assessment area noted that at least 17% of the moderate-income families reside in middle-income geographies. The percentage of moderate-income families in middle-income geographies suggests that affordable housing is not only an issue in low- and moderate-income tracts, but also for moderate-income families in middle- income tracts.

Although the bank's assessment area contains many large businesses, including the casinos and hotels on the Las Vegas "Strip," the vast majority of businesses located in the assessment area are small. An analysis[2] of businesses operating in the bank's assessment area noted that approximately 88% of the 10,609 businesses are small businesses, with gross annual revenues equal to, or less than $1 million. This number was corroborated by two separate community contacts that attributed the continued growth in small businesses to the continued influx of new residents and subsequent construction of additional housing. These community contacts also emphasized the continued need for small business loans, particularly for start –up entities, and affordable housing in the bank's assessment area.

Notwithstanding the growth in Clark County, areas exist that continue to warrant special needs to facilitate development. In December 1994, nine census tracts (six low-income and three moderate-income tracts) within the assessment area were designated as the Southern Nevada Enterprise Community, more commonly referred to as enterprise zones. Under this program, federal monies are allocated to create and support initiatives to increase employment, personal, and entrepreneurial opportunities, including job training and childcare assistance, among others in these enterprise zones. Part of this program includes a loan guarantee fund, created with funds from the U.S. Department of Housing and Urban Development. Lending opportunities exist for banks under this program, as participating lenders grant loans that are guaranteed by federal monies. The loans may be for a variety of business purposes and are granted in amounts ranging from $5,000 to $100,000. In order to be eligible, the borrowing businesses must be located in, or relocating to, one of the following nine designated census tracts: 35.00, 36.02, 3.02, 3.01, 4.00, 11.00, 5.04, 38.00, or 39.00.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Community Bank of Nevada continues its satisfactory performance under the Community Reinvestment Act. The bank was evaluated under four of the five performance criteria which include: the bank's loan volume in comparison to its deposits (Loan-to-Deposit Ratio), the bank's lending inside and outside its assessment area (Lending in Assessment Area), the distribution of its lending in the four income-level census tracts or geographies within the bank's assessment area (Geographic Distribution of Loans), and the distribution of lending to businesses of different sizes (Lending by Business Revenue). The fifth criteria, the bank's

[2] Source: 1996 Dun & Bradstreet data for the bank's assessment area in Clark County

responsiveness to consumer complaints, was not evaluated because the bank has not received any CRA related complaints since the previous examination.

Since Community Bank of Nevada's primary focus is business lending, only small business loans were analyzed to assess the bank's CRA performance. Examiners selected a statistical sample of 120 from a total of 294 small business loans extended from July 1, 1996 through March 31, 1998 to determine the volume of lending within the bank's assessment area. The evaluation of the bank's Geographic Distribution of Loans and Lending by Business Revenue was solely based on those loans made inside the bank's assessment area.

LOAN-TO-DEPOSIT RATIO

Community Bank of Nevada's loan-to-deposit ratio meets standards for satisfactory performance consistent with its resource capacity. The analysis consists of an evaluation of lending volume in comparison to the bank's deposit base. The ratio is derived by using the bank's net loans measured against its deposits averaged over time with the results evaluated against the uniqueness of the bank's assessment area.

Three similarly situated peer banks (peer group) were selected for comparison purposes in determining the reasonableness of the bank's loan-to-deposit ratio. The peer group's business focus, portfolio composition and geographic location were critical criteria given Community Bank of Nevada's business orientation and its location in a rapidly growing commercial area. Asset size was not considered a reliable indicator due to the bank's rapid growth over the prior two years.

Based on financial data obtained from the filed Consolidated Reports of Condition, the following table summarizes the bank and the peer group's average loan-to-deposit ratios for the past eight quarters, June 1996 through March 1998:

	Community Bank of Nevada	Peer 1	Peer 2	Peer 3
LTD Ratio	65.55%	69.33%	70.17%	88.40%

Community Bank of Nevada's average loan-to-deposit for the past eight quarters is 66%. The average for two of the three institutions in its peer group for the same time period is generally comparable although slightly higher. The average loan/deposit for the third peer institution was deemed to be an outlyer to the group given other performance context considerations.

A review of the 8 quarterly loan/deposit ratios since the previous examination also shows an increasing trend through March 1997 (high 76.70%) and an above average ranking when the bank compares to its national peer through June 1997. It was beginning in June 1997 when management diverted its energies to the start up of its first branch office. During this period

deposit growth rates began to outpace loans consistent with funding campaigns typically associated with branch start-up operations.

Nonetheless, a review of the bank's growth rates between examinations evidenced that on average loan growth was higher at 13.71% versus 12.66% for deposits. Moreover, the loan growth rate consistently ranked above its national peer. Since the previous examination, the continued steady increase in the loan portfolio is consistent with the bank's financial resources and capabilities, given a competitive environment posed by numerous active lenders within its assessment area.

LENDING IN ASSESSMENT AREA

A significant majority of Community Bank of Nevada's credit extensions are inside its assessment area. The local penetration exceeds standards for satisfactory performance. The analysis was focused on determining whether the degree of lending within the bank's assessment area when compared to activity outside the market, was adequate relative to bank resources and capacity.

Performance under this assessment category was based on an analysis of 115 of the total loan sample of 120.[3] The results of the analysis of the sampled loans are depicted in the following table:

Lending in the Assessment Area

Location	#	%	$	%
Inside	103	90	12,459,071	84
Outside	12	10	2,337,171	16
Total	115	100	14,796,242	100.00

At the previous examination, 74% of the number of small business loans sampled were within the assessment area. At this examination, this local concentration was more pronounced as a majority of the bank's loans, based on both number (90%), and dollar volume (84%), was originated within the bank's assessment area. The strong market penetration indicates that the bank has effectively matched local credit needs in its market with its small business lending products and services.

GEOGRAPHIC DISTRIBUTION OF LOANS

Community Bank of Nevada's distribution of loans in census tracts of different income levels meets standards for satisfactory performance.

[3] Five loans were excluded, as a census tracts could not be generated for each loan due to the absence of a physical address in the loan file documentation. All five loans were secured by properties, which were either vacant land or early in development such that a street address had not been created.

In order to analyze the bank's lending patterns, a geographic distribution of the 103 small business loans granted within the bank's assessment area was performed. The following table represents a comparison of the percentages of census tracts by income level, to the number, and dollar amount of loans originated within these geographies:

Geographic Distribution of Small Business Loans

Tract Income Level	% of Total Census Tracts	% of Small Businesses	% of # of Loans Originated	% of $ Amount Originated
Low	7	7	1	1
Moderate	22	16	9	15
Middle	48	48	54	52
Upper	23	29	36	32
Total	100	100	100	100

The data indicates that the majority of the loans are extended within the bank's middle- and upper-income census tracts. The concentration of lending in these income geographies is generally reflective of the tract distribution and small business concentration within the assessment area. The lower level of lending noted in the low- and moderate-income geographies is in part attributable to the extended proximity of these census tracts to the bank, and the relative newness of the East Branch. Also, the number of low- and moderate-income census tracts have increased since the previous examination with the expansion of the assessment area to accommodate the new branch market. Specifically, the bank gained an additional three low-income and eleven moderate-income census tracts, which according to the previous examination were expected to be served by the East Branch, which opened for operation in August 1997.

The bank's main office and its East Branch are located in middle-income census tracts. Collectively, middle- and upper-income census tracts comprise most of the assessment area with the majority of these tracts located in close proximity to the bank's main office and branch. A review of the assessment area disclosed that none of the seven low-income census tracts are located near the bank's main office. All instead occupy the area to the north of the new East Branch, located on Maryland Parkway. An analysis of the twenty-one moderate-income census tracts noted that, similar to the low-income geographies, none are close to the main office and instead lie to the north and south of the East Branch.

Additionally, while small businesses exist in some of the low- and moderate-income areas, the profile of the tracts currently limits small business lending opportunities for the bank. Specifically, two of the low-income census tracts are located along Las Vegas Boulevard. One contains mainly large casinos and hotels, where lending opportunities would typically exceed the capacity of the bank. The other tract contains mostly non-owner occupied housing units. The remaining five census tracts include some vacant land interspersed with some residential housing. The small business profile within the moderate-income census tracts portends a somewhat larger small business market than evident in low-income areas. However, the number of small businesses in these tracts still pales in comparison to the robust numbers in the middle- and upper-income areas. Moreover, the fact that several of these low- and moderate-

income tracts comprise the enterprise zone within the assessment area suggest that concerted business development efforts are needed. As these efforts solidify, the bank's recent deposit growth coupled with its SBA loan products position the bank to affirmatively serve the credit needs going forward. Although the scope of the assessment focus on small business lending, analyses and community contact interviews identified affordable housing as a credit need in low- and moderate-income areas. As previously noted under Description of Institution, the bank is a participating lender in the Nevada Community Reinvestment Corporation. Since the previous examination, the bank has extended eight loans with its share at $80,224.

Given the growth in the assessment area, bank resources and identified opportunities, the current lending level in low- and moderate-income areas is considered reasonable.

LENDING BY BUSINESS REVENUE

Community Bank of Nevada's distribution of loans to businesses of different sizes meets standards for satisfactory performance.

A key factor in evaluating a commercial bank's CRA performance is the institution's record of lending to businesses of different sizes. To determine a bank's performance in this category, consideration is given to the types of businesses that operate within the bank's assessment area. As stated previously in this evaluation, Dun and Bradstreet data shows that approximately 88% of the businesses within Community Bank of Nevada's assessment area are classified as small businesses. Consequently, a lending concentration to this small business section of the market was expected. The bank's performance under this criteria was analyzed by reviewing the gross annual revenue information for each of the borrowing entities in the sample of the 103 loans granted within the assessment area. Of these loans, revenue information was collected for 101.[4]

Depicted in the following table is a breakdown of the loan sample by revenue size of business borrowers. Loans to businesses with revenue less than $1 million were separately categorized and subtotaled to determine the extent of lending to small businesses.[5]

Lending to Businesses of Different Sizes

Loan Amount	#	%	$	%
$0 to <= $250M	23	23	1,991,045	16
>$250M to <= $500M	13	13	1,060,995	9
>$500M to <= $1,000M	11	11	1,010,361	8
Sub-total:	47	47	4,062,401	33
> $1,000M	54	53	8,390,670	67
Grand Total	101	100	12,453,071	100

[4] The remaining two loans did not contain income information as the bank did not consider or require this data in the credit underwriting.

[5] CRA defines small businesses as businesses with gross annual revenue of less than $1 million.

As measured by the sampled loans, overall commercial lending including originations to small businesses has increased since the previous examination. Of the overall increase almost half of the number of loans was granted to small businesses. Nevertheless, the distribution of lending to small businesses versus entities with revenues of more than $1 million does show a concentration to larger businesses. This distribution seems contrary to D&B data that indicates that 88% of the businesses in the assessment are small businesses. The previous examination noted a similar profile although current performance evidences a slight increase in lending to small businesses. The concentration to larger businesses was in part due to the continuance of established relationships from Director referrals. Such reliance on previous relationships is not atypical for start-up institutions. Moreover, in the case of CBN, such established relationships assisted the bank in maintaining loan growth during a period of lender turnover and branch start-up efforts during the period between examinations.

A closer review of the business loan distribution shows that the percentage of lending to small businesses has increased and funds are extended to entities with the smallest credit needs. Specifically, of the sample of 101 loans, 47% were extended to small businesses, up slightly from the 45% noted at the previous examination. Moreover, within the small business category, the concentration of loans with amounts less than $250M demonstrates the bank's responsiveness to smaller businesses, including start-up operations such as those noted as having apparent credit needs during community outside contact interviews. Given its short tenure of operations and resource limitations during the period between examinations, the lending profile suggests that the bank adequately competes in a thriving marketplace fueled by a plethora of lending institutions.

RESPONSE TO COMPLAINTS

Since the previous examination, the bank has not received any complaints relating to its CRA performance. Consequently, the bank's performance under this criteria could not be evaluated.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. It has established policies and procedures addressing the fair lending laws and regulations. Additionally, no fair lending violations were cited at this examination and there was no evidence that Community Bank of Nevada engages in any type of discriminatory practices or discouragement in its lending activities.