

# **PUBLIC DISCLOSURE**

**January 10, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Business Bank of Nevada  
RSSD #2352815**

**6085 West Twain Avenue  
Las Vegas, Nevada 89103**

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

*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.*

## TABLE OF CONTENTS

INSTITUTION.....	1
PERFORMANCE CONTEXT	
Description of Institution.....	2
Description of Assessment Area.....	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	
Scope of Examination .....	5
Loan-to-Deposit Ratio .....	6
Lending in Assessment Area .....	6
Lending by Business Revenue.....	6
Geographic Distribution of Loans .....	6
Response to Complaints.....	7
Compliance with Fair Lending Laws and Regulations .....	7
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS .....	8
GLOSSARY OF TERMS .....	9

## INSTITUTION

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

The major factors supporting the institutions rating include:

- A reasonable loan-to-deposit ratio;
- A substantial majority of loans originated within the bank's assessment area;
- An adequate dispersion of small business loans, with no conspicuous gaps in the lending patterns; and,
- A reasonable penetration of loans to businesses of different sizes.

## PERFORMANCE CONTEXT

### Description of Institution

Business Bank of Nevada (BBN) is a \$375 million community bank, wholly owned by Business Bank Corporation. Headquartered in Las Vegas, BBN primarily serves businesses located in Carson City, Las Vegas, and Reno, Nevada. The bank began operations on October 18, 1995, and now operates five branches in Las Vegas (Maryland Parkway, Tenaya and Twain Plaza), Carson City, and most recently in Carson Valley, which opened in July 2003.

BBN's strategic focus is commercial and construction lending. Product offerings include commercial real estate, construction, land development, and business term loans and lines of credit. Consistent with its community bank profile, business development efforts are aimed at small- to medium-sized businesses by leveraging existing relationships with personalized service and outreach efforts. Consumer lending accounts for a very small portion of the portfolio and is primarily offered on an accommodation basis to existing customers. This focus is reflected in the September 30, 2004, Consolidated Reports of Condition and Income. As depicted below, over 90 percent of total loans have a business purpose.

Loan Type	Dollar Amount (000s)	Percent of Total
Commercial/Industrial & Non-Farm Non Residential Real Estate	\$169,170	75%
Construction & Land Development	38,214	17%
Multifamily	13,460	6%
Secured by 1-4 Family Residential Real estate	2,862	1%
Consumer Loans & Credit Cards	965	1%
All Other	169	<1%
<b>Total (Gross)</b>	<b>\$224,840</b>	<b>100%</b>

There are no legal or financial impediments that would prevent the bank from meeting the credit needs of its assessment area consistent with its size, financial resources, and local economic conditions. The bank received a satisfactory performance rating at its previous CRA examination conducted as of January 15, 2001, by the Federal Reserve Bank of San Francisco.

## Description of Assessment Area

BBN's predominant assessment area is Clark County in its entirety. It's located in the southern portion of Nevada and includes five incorporated cities: Boulder City, Henderson, Las Vegas, Mesquite, and North Las Vegas, as well as several unincorporated areas.<sup>1</sup> According to the 2000 Census, Clark County contains 345 census tracts, an increase of 225 from the 1990 Census. The county, which also is designated as the Las Vegas-Paradise Metropolitan Statistical Area (MSA), is the most populated of Nevada's 17 counties, accounting for 71 percent of the states' population.<sup>2,3</sup> Activity in the Carson City and Douglas assessment areas were comparatively low and reviewed only on a limited basis.

As illustrated below, middle-income census tracts comprise the majority of the assessment area, followed by upper-, moderate-, and low-income tracts, respectively.

2000 Census Tract Income Level <sup>4</sup>	Census Tract Distribution		Population Distribution	
	Number	Percent	Number	Percent
Low	6	1.7%	23,621	1.7%
Moderate	79	22.9%	387,590	28.2%
Middle	147	42.6%	574,106	41.7%
Upper	109	31.6%	390,407	28.4%
Unknown	4	1.2%	41	--
<b>Total</b>	<b>345</b>	<b>100.0%</b>	<b>1,375,765</b>	<b>100.0%</b>

The assessment area is a competitive marketplace for financial services. As of June 30, 2004, there were 40 FDIC-insured institutions operating 313 offices in Clark County with deposits totaling \$28 billion. Deposits were concentrated at three large national financial institutions, collectively holding 58 percent of the market share. During the same period, the bank's market share in Clark County equaled approximately 0.65 percent.<sup>5</sup>

## Business and Economic Conditions

Business and economic conditions in the area have been expansive during the review period, owing to a strong tourism industry, healthy demand for commercial real estate, and low unemployment. The leisure and hospitality sector is the key driver of the local economy. In 2003, the sector accounted for approximately 30 percent of total employment in Las Vegas, compared to the state average of 28 percent and the national average of 9.3 percent. In fact,

<sup>1</sup> *Clark County Demographic Quick Facts*, (accessed on March 9, 2005); available from [http://www.co.clark.nv.us/comprehensive\\_planning/advanced/demographics.htm](http://www.co.clark.nv.us/comprehensive_planning/advanced/demographics.htm).

<sup>2</sup> The Center for Business and Economic Research – *Clark County and Nevada Populations, 1970-2004*, (accessed on March 9, 2005); available from <http://cber.unlv.edu/pop.html>.

<sup>3</sup> *Nevada Counties*, (accessed on March 9, 2005); available from <http://www.epodunk.com>.

<sup>4</sup> Reflects the 2004 changes to the statistical area definitions per the Office of Management and Budget (OMB) Bulletin No. 04-03.

<sup>5</sup> *FDIC Summary of Deposits Market Share Report*, June 30, 2004, (accessed December 16, 2004); available from <http://www2.fdic.gov/sod>.

eight of the top ten employers in the city of Las Vegas were hotels, resorts and casinos.<sup>6</sup> In addition, the growing supply of tourism related-employment has been a key factor in area population growth from out-of-area job seekers. Relatively low business costs have spurred some company relocations from higher cost areas and also have contributed to an increased demand for commercial space.<sup>7</sup> Construction and land development added over 11,000 jobs during 2004 and three-quarters of these positions were in the Las Vegas metropolitan area.<sup>8</sup> The Las Vegas unemployment rate in November 2004, was a low 3.6 percent as compared to the average national rate of 5.4 percent.<sup>9</sup> Given the proximate influence on the surrounding areas, the resultant impact on Clark County (which encompasses Las Vegas) is consistent with these conditions.

According to some community contacts, the nature of the economic expansion and the accompanying population growth has generated a need for affordable housing and flexible financing options for small businesses. Some low-wage-earning workers, such as those employed by the tourism and gaming industry, have difficulty obtaining affordable housing in close proximity to their jobs. In addition, working capital loans in small dollar amounts and other products tailored for rapidly expanding early stage businesses represent a significant credit need. Dun & Bradstreet reports that small businesses (those with gross annual revenues of \$1 million or less) accounted for approximately 83 percent of area businesses. These small businesses, detailed in the table below, represent a source of potential effective loan demand and an opportunity for local institutions.

Income Categories	Total Business by Census Tract		Businesses by Census Tract Category and Revenue Size					
			Less Than or Equal to \$1 Million		Greater Than \$1 Million		Revenue Not Reported	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low	1,270	4.2%	1,053	4.2%	181	4.4%	36	3.3%
Moderate	7,039	23.3%	5,674	22.7%	1,103	26.6%	262	24.2%
Middle	11,799	39.0%	9,814	39.3%	1,569	37.8%	416	38.3%
Upper	9,931	32.9%	8,329	33.3%	1,239	29.8%	363	33.5%
Unknown	191	0.6%	124	0.5%	59	1.4%	8	0.7%
Total	30,230	100.0%	24,994	100.0%	4,151	100.0%	1085	100.0%
<b>Percent of Total Businesses</b>			<b>82.7%</b>		<b>13.7%</b>		<b>3.6%</b>	

<sup>6</sup> *Precis METRO: Las Vegas* (West Chester, Pennsylvania: Economy.com, August 2004).

<sup>7</sup> Ibid.

<sup>8</sup> FDIC State Profile for Nevada, Winter 2004 (accessed February 2, 2005); available from <http://www.fdic.gov/bank/analytical/stateprofile/SanFrancisco/Nv/nv.xml>.

<sup>9</sup> Nevada Department of Employment, Training and Rehabilitation, (accessed February 1, 2005); available from <http://www.nevadaworkforce.com>.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Scope of Examination

BBN's CRA performance was evaluated using the small bank examination procedures. The evaluation was based on the following performance criteria:

- Loan volume compared to its deposits (Loan-to-Deposit Ratio);
- Lending inside and outside its assessment area (Lending in Assessment Area);
- Distribution of lending to businesses of different sizes (Lending by Business Revenue); and,
- Dispersion of lending throughout the census tracts or geographic areas within the assessment area (Geographic Distribution of Loans).

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

The CRA performance review was based upon small business loans originated between January 1, 2003, and September 30, 2004. Consumer-related loans were not a major product and accounted for only two percent of the loan portfolio. As a result, a review of these loans was not conducted at this CRA examination. Consistent with the bank's commercial focus, small business loans were the basis of the evaluation.

Split reviews of the geographic distribution of lending were performed as part of this examination. The Office of Management and Budget (OMB) adopted new statistical area definitions in 2004.<sup>10</sup> The geographic distribution of loans originated between January 1, 2003, and December 31, 2003, was evaluated using the 2000 Census and the statistical area definitions as they existed prior to the OMB changes. Loans originated between January 1, 2004, and September 30, 2004, were analyzed using the 2000 Census and the new OMB statistical area definitions. Evaluation of other performance criteria, not dependent on particular geographic tracts, was performed using combined data for the evaluation period.

A total of 311 small business loans totaling \$60,966 million were originated during the review period and were used in the evaluation of *Lending in Assessment Area*. A statistical sample of loans extended inside the assessment area was used in the evaluation of *Lending by Business Revenue*. All 284 loans extended within the assessment area were used in the evaluation of *Geographic Distribution*. Only those loans extended inside the assessment area were included in the evaluation of the two remaining performance criteria.

BBN has designated the following three whole county assessment areas; Clark County, Douglas County, and Carson City County. The bank's activity in the Carson City and Douglas assessment areas was not sufficient enough to offer meaningful conclusions about the bank's overall performance.

---

<sup>10</sup> Office of Management and Budget (OMB) Bulletin No. 04-03.

## Loan-to-Deposit Ratio

BBN's loan-to-deposit ratio (LTD) meets standards for a satisfactory performance. The eight quarter average was approximately 68 percent (December 2002 through September 2004). State, national, and local loan-to-deposit ratios over the same period averaged approximately 79 percent. While BBN's LTD was lower than these peer comparables, lending activity is sufficient.

## Lending in Assessment Area

The bank originated a substantial majority of its small business loans within its delineated assessment area. Small business loans extended within the assessment area equaled approximately 91 and 92 percent by number and dollar volume, respectively.

## Lending by Business Revenue

The bank's record of lending to businesses of different sizes meets the standards for satisfactory performance. Loans to small businesses (gross annual revenues of \$1 million or less) represent 51 percent of all lending compared to an 83 percent concentration of small businesses in the assessment area. Though below the community demographics, this performance substantially exceeds the aggregate lender penetration which averaged approximately 38 percent. In addition, 50 percent of loans extended were in amounts less than \$250,000; helping to address a stated need for loans in these amounts.

## Geographic Distribution of Loans

The geographic distribution of loans meets the standards for satisfactory performance. Loan dispersion throughout the assessment area is generally consistent with the distribution of assessment area businesses among low-, moderate-, middle-, and upper-income geographies. Lending in low-income tracts was especially noteworthy as the bank's performance substantially exceeded both business concentration and aggregate lending levels. Performance in moderate-income tracts, although somewhat below the percentage of business entities, exceeded aggregate levels. Lastly, there were no conspicuous gaps in the lending patterns.

Census Tract Income Category	2000 Census (January 1 to December 31, 2003)			2000 Census & OMB Changes (January 1 to September 30, 2004)		
	Bank Loans	Business Concentration	Aggregate Lending	Bank Loans	Business Concentration	Aggregate Lending <sup>11</sup>
Low	5.7%	3.2%	2.3%	6.8%	4.2%	NA
Moderate	18.1%	21.4%	16.1%	19.4%	23.4%	NA
Middle	35.2%	38.4%	34.0%	31.1%	39.3%	NA
Upper	41.0%	36.9%	47.6%	42.7%	33.1%	NA

<sup>11</sup> 2004 Aggregate Lending data not currently available.



## **Response to Complaints**

Business Bank of Nevada has not received any complaints relating to its CRA performance during the review period. Accordingly, the bank's performance in responding to complaints was not considered in evaluating its CRA performance.

## **Compliance with Fair Lending Laws and Regulations**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified at this examination. Additionally, there was no evidence of prohibitive lending practices.

## LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

*For each assessment area where a limited-scope review was performed using the examination procedures.*

BBN's performance in the Douglas and Carson City assessment areas received a limited review and were generally consistent with the bank's overall performance. In these areas, the bank has a small branch presence and market share. Therefore, the conclusions regarding their performance did not impact the overall rating.

## GLOSSARY OF TERMS

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

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

**Community development:** Affordable 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.

**Consumer loan:** A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**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, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. 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 statistical 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:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings 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.

**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.

**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, branch distribution).

**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 lenders in the MSA/assessment area.

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

**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.

**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.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes 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.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**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.

**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.