

# **PUBLIC DISCLOSURE**

**November 15, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Nevada First Bank  
RSSD #2646523**

**777 North Rainbow Boulevard, Suite 100  
Las Vegas, Nevada 89107**

**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.*

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## INSTITUTION

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

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio;
- A substantial majority of loans originated within the bank's assessment area;
- A reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less; and
- A reasonable geographic distribution of small business loans, with no conspicuous gaps in lending patterns.

## PERFORMANCE CONTEXT

### Description of Institution

Nevada First Bank (NFB) is a \$328 million community bank, wholly owned by Intermountain First Bancorp, a privately held, one-bank holding company. NFB was founded in 1998 and is headquartered in Las Vegas, Nevada. Since the previous Community Reinvestment Act (CRA) examination as of September 25, 2000, the bank has added two new offices and closed an office. NFB now operates four branch offices in the areas of Las Vegas and Henderson.

NFB has experienced significant growth since the previous CRA examination with total assets increasing from \$121.3 million as of September 30, 2000 to \$326.9 million as of September 30, 2004. The bank's continued focus on small- to medium-size businesses as well as construction and real estate development companies has largely supported this growth. NFB offers a wide range of loan and deposit products but remains focused on serving its commercial and private banking clients. Consumer products are offered mostly as an accommodation to the existing clients. As shown below, commercial, construction, and land development loans dominated the loan portfolio as of June 30, 2004.

Loan Type	Dollar Amount ('000s)	Percent
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$164,743	66.2%
Construction & Land Development	\$66,165	26.6%
All Other	\$12,157	4.9%
Secured by 1-4 Family Residential Real Estate	\$4,206	1.7%
Consumer Loans & Credit Cards	\$1,225	0.5%
Leases	\$326	0.1%
<b>Total (Gross)</b>	<b>\$248,822</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 September 25, 2000.

### Description of Assessment Area

NFB's assessment area consists of Clark County in its entirety. The county, which also is the Las Vegas-Paradise Metropolitan Statistical Area (MSA), is located in the southern corner of Nevada and consists of incorporated cities such as Boulder City, Henderson, Las Vegas, Mesquite, and North Las Vegas, as well as other unincorporated areas.

According to 2000 Census, Clark County now contains 345 census tracts, up 225 from the 1990 Census. The large increase is due to the strong population growth the county has experienced over the past decade. The county estimates indicate that more than 5,000 people have been moving into the county each month<sup>1</sup>, averaging annual growth of 5.7 percent<sup>2</sup>. As of July 2003, the estimated county population was over 1.6 million, constituting over 70 percent of the State's population.<sup>3</sup> The distribution of census tracts by income level, however, remains relatively unchanged. As demonstrated in the table below moderate-, middle- and upper-income census tracts make up the majority of the assessment area.

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 with deposits totaling \$28 billion. Deposits were concentrated at three large national financial institutions, collectively holding 58 percent of the market share. As of June 30, 2004, NFB ranked 14<sup>th</sup> in deposit balances, with a one percent market share.<sup>5</sup>

## Business and Economic Conditions

Tourism industry remains a key driver of the local economy. In 2003, the leisure and hospitality sector, which is encompassed in the tourism industry, accounted for approximately 30 percent of total employment in Las Vegas, as compared to the national average of 9.3 percent. Similarly, eight of the top ten employers in the city of Las Vegas were hotels, resorts and casinos.<sup>6</sup> Increasing trends in visitor volume, hotel occupancy, and gaming revenue all indicate a robust recovery of the tourism industry since the 2001 recession.<sup>7</sup>

<sup>1</sup> *About Clark County*, Public Communications (accessed November 9, 2004); available from [http://www.accessclarkcounty.com/Public\\_communications/About\\_clark\\_county.htm](http://www.accessclarkcounty.com/Public_communications/About_clark_county.htm)

<sup>2</sup> *Clark County Demographics Summary* (accessed November 9, 2004); available from [http://www.accessclarkcounty.com/comprehensive\\_planning/advanced/Demographics/popbroch2004.pdf](http://www.accessclarkcounty.com/comprehensive_planning/advanced/Demographics/popbroch2004.pdf).

<sup>3</sup> *Clark County and Nevada Populations, 1970-2003*, The Center for Business and Economic Research, University of Nevada, Las Vegas (accessed November 26, 2004); available from [http://www.unlv.edu/Research\\_Centers/cber/pop.html](http://www.unlv.edu/Research_Centers/cber/pop.html).

<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> *Summary of Deposits Market Share Report*, June 30, 2004, FDIC (accessed November 9, 2004); available from <http://www2.fdic.gov/sod>.

<sup>6</sup> Las Vegas Profile, July 2004, Economy.com.

<sup>7</sup> Las Vegas Convention and Visitors Authority, February 2004 (accessed November 23, 2004); available from <http://www.lasvegas24hours.com/press/faq.html>.

The local economy historically remains heavily dependent upon the tourism industry. However, increasing demand for office space and residential housing is making the construction the fastest growing sector, accounting for about 25 percent of all state jobs added during second quarter 2004.<sup>8</sup> Strong population growth and companies relocating from higher cost areas, particularly California, are contributing to the increasing trends in construction and land development activity.

The overall economic picture of the assessment area is good. As previously noted, a robust recovery of the tourism industry and a strong housing market fueled by continuous population growth continue to be the foundation of the area's strong economic performance. A record-low unemployment rate also confirms the strong economy. The unemployment rate in October 2004 for Las Vegas was 3.5 percent, as compared to the nation's 5.5 percent.<sup>9</sup>

Nevertheless, continued appreciation of housing prices calls for a sustained need for affordable housing, particularly for the low-wage-earning workers. In addition, given the large number of small businesses in this assessment area financing for start-up businesses and small businesses remains a need within the community. The table below details the 2000 Dun & Bradstreet information regarding businesses within the assessment area.

Income Categories	Total Businesses 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%	1,085	100.0%
<b>Percent of Total Businesses</b>			<b>82.7%</b>		<b>13.7%</b>		<b>3.6%</b>	

<sup>8</sup> FDIC State Profile for Nevada, Fall 2004 (accessed November 9, 2004); available from <http://www.fdic.gov/bank/analytical/stateprofile/SanFrancisco/Nv/nv.xml./html>.

<sup>9</sup> State of Nevada, Department of Employment, Training & Rehabilitation, News Release November 19, 2004 (accessed November 26, 2004); available from [http://www.nevadaworkforce.com/admin/uploadedPublications/1286\\_OctoberEmployment-UnemploymentRatePressRelease.pdf](http://www.nevadaworkforce.com/admin/uploadedPublications/1286_OctoberEmployment-UnemploymentRatePressRelease.pdf).

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Scope of Examination

Nevada First Bank's CRA performance was evaluated using the small bank examination procedures. The evaluation was based upon the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio);
- Lending inside and outside the assessment area (Lending in Assessment Area);
- Distribution of lending to businesses with different revenue sizes (Lending by Business Revenue); and
- Dispersion of lending throughout the assessment area (Geographic Distribution of Loans).

Responsiveness to consumer complaints related to CRA performance was not evaluated, as the bank received no CRA-related complaints during this review period.

The CRA performance review was based upon small business loans originated during the sample period of January 1, 2003 through June 30, 2004. Consumer loans were not a major product of the bank and accounted for only 0.5 percent of the loan portfolio as of June 30, 2004. Accordingly, a review of consumer loans was not conducted at this CRA examination.

In light of the changes that the Office of Management and Budget (OMB) made to the statistical area definitions in 2004, a split review of the geographic distribution of the bank's small business loans was performed as part of this examination. 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 June 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 151 small business loans originated during the review period were used to evaluate the Lending in Assessment Area. A statistical sample of 86 loans extended inside the assessment area was used to evaluate Lending by Business Revenue. All 144 loans extended within the assessment area were used in the Geographic Distribution of Loans analysis.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio meets standards for satisfactory performance. The eight-quarter average loan-to-deposit ratio was 83.3 percent, as compared to State's ratio of 80.0 percent and the national peer ratio of 80.2 percent.

## Lending in Assessment Area

The concentration of loans extended inside the assessment area meets standards for outstanding performance as a substantial majority was originated in the assessment area. Small business loans originated within the assessment area were 95 percent and 93 percent of all small business loans extended during the sample period, by number and dollar volume, respectively.

## Lending by Business Revenue

Lending to businesses of different sizes meets standards for satisfactory performance. This assessment is based on the comparatively high percentage of small business loans extended to businesses with gross annual revenues of \$1 million or less. During the review period, the bank extended 50 percent of its small business loans to businesses with gross annual revenues of \$1 million or less. Although lending to small businesses (defined as companies with gross annual revenues of \$1 million or less) was below the concentration of small businesses in the area (83 percent), the bank's performance surpassed that of the aggregate market, which extended 38 percent of its loans to these businesses. Additionally, 62 percent of loans extended were in amounts of less than \$250,000; helping address a stated credit need for smaller dollar business loans.

## Geographic Distribution of Loans

The geographic distribution of small business loans meets standards for satisfactory performance. As illustrated in the following table, the geographic distribution of small business loans is reasonable when compared to the distribution of businesses and aggregate lending levels. The 2004 lending in low-, moderate-, and upper-income census tracts was particularly strong when compared to the distribution of businesses. In general, loans were extended near branch offices with no conspicuous gaps in the lending patterns.

Census Tract Income Category	2000 Census (Jan. 1 to Dec. 31, 2003)			2000 Census & OMB Changes (Jan. 1 to June 30, 2004)		
	Bank Loans	Business Concentration	Aggregate Lending	Bank Loans	Business Concentration	Aggregate Lending <sup>10</sup>
Low	4.3%	3.2%	2.3%	7.9%	4.2%	NA
Moderate	10.8%	21.4%	16.1%	23.5%	23.4%	NA
Middle	37.6%	38.5%	34.0%	19.6%	39.3%	NA
Upper	47.3%	36.9%	47.6%	49.0%	33.1%	NA

<sup>10</sup> 2004 Aggregate lending data not currently available.

### **Response to Complaints**

The bank has not received any complaints relating to its CRA performance since the previous examination. Accordingly, this component was not reviewed to determine the overall CRA performance rating.

### **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.

## 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.