

PUBLIC DISCLOSURE

December 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**GREAT BASIN BANK OF NEVADA
33824**

**487 Railroad Street
Elko, Nevada 89803**

**Federal Deposit Insurance Corporation
25 Jesse Street at Ecker Square
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.

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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 the 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 of **Great Basin Bank of Nevada** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 9, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

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

Great Basin Bank of Nevada's (GBB) overall CRA performance depicts a satisfactory practice of providing for the credit needs of its designated assessment area. The overall rating considered the bank's primary product of commercial loans extended during the first nine months of 2004.

This analysis determined the bank's use of its deposit products to fund loans within its assessment area is satisfactory and consistent with the bank's business plan, market demand, and growth. A majority of loans by number and dollar volume are made within the bank's assessment area, and the bank's lending patterns of commercial loans to small businesses of differing sizes, and to those businesses residing in different income geographies is adequately distributed in relation to the demographics of the bank's market and product demand.

DESCRIPTION OF INSTITUTION

Great Basin Bank of Nevada began operations in 1993 as a small full-service community bank currently operating from a main office in downtown Elko, Nevada. It also has a full-service branch in Winnemucca, Nevada approximately 125 miles to the west of the main office, which was converted from a loan production office in 2002. The bank is primarily a commercial lender to small businesses and agriculture related businesses throughout northeast Nevada. The bank is also one of the largest volume SBA lenders in rural northern Nevada accounting for roughly 60 percent of SBA loans made in that area. To a lesser degree, the bank also offers an array of real estate and consumer credit products. The bank has seven directors, with all but President and Chief Executive Officer Terry R. Sullivan being from the outside. GBB is wholly owned by its one-bank holding company, Great Basin Financial Corporation, also located in Elko. The directorate for GBB and the holding company is the same.

Since the prior CRA examination in 1999, bank assets have grown over 160 percent and as of September 30, 2004, equaled \$148,855,000, with \$93,863,000, or 63 percent representing total loans. As detailed below the largest loan product is commercial real estate loans, at 66 percent of the total loan portfolio. GBB had total deposits of \$129,525,000 consisting of all types, which represents over 142 percent growth since the prior examination, compared to 105 percent of loan growth over this period. The following table reflects the bank's loan portfolio as of September 30, 2004.

GBB's Loan Distribution as of 9/30/2004		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Commercial/Commercial Real Estate Loans	\$62,354	66%
Consumer Loans	\$11,438	12%
Agriculture Loans	\$10,232	11%
Residential Real Estate	\$9,240	10%
Other	\$599	1%
Total Loans	\$93,863	100%

Source: Bank Records

DESCRIPTION OF THE ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires banks to identify one or more assessment areas within which its regulating agency will evaluate the bank's performance. In most cases, an institution's assessment area will be the towns, counties, census tracts or some other political subdivision in which its branches are located and a substantial portion of its loans are made. Assessment areas always consist of one or more census tracts, which are statistical subdivisions of a county.

GBB has selected all of Elko and adjacent Humboldt County as its assessment area. Both counties are scarcely populated, desert land with large areas owned and landlocked by the federal government limiting access to sizeable areas of the bank’s market. Approximately 70 percent of Elko County is government owned. Humboldt County has a population of 16,106 spread over 9,688 sq miles, and only three census tracts (all middle income). Elko County is the second largest county in the state and has a population of 45,291 spread over 17,179 square miles and 12 census tracts with no low-income, three moderate-income, seven middle-income, and two upper-income tracts. Two of the three moderate tracts in Elko County are large, low populated areas situated on the outermost north and east side of the county. The few inhabitants of these tracts primarily reside in the north and west border (Utah/Idaho) gambling towns of Wendover and Jackpot. The remaining moderate tract is on the Nevada/Idaho border and consists of the Duck Valley Indian Reservation. This tract encompasses only 450 square miles, half of which is in Idaho. None of the moderate-income tracts are located adjacent to the bank’s two offices.

The primary cities served by the bank and its branches include Elko, Winnemucca, Carlin, Wells, Deeth, Halleck, Jiggs, Spring Creek, and Lamoille. Much of the area away from the few and scattered population centers are federal land, mining operations, or very large ranch/farm operations held by a relatively small number of landowners.

The following is a breakdown of the bank’s assessment area by income geographies per the 2000 U.S. Census Data:

Assessment Area Demographics

Demographic Information of GBB’s Assessment Area					
Demographic Characteristics	#	Low	Moderate	Middle	Upper
		% of #	% of #	% of #	% of #
Census Tracts	15	0%	20%	67%	13%
Population by Geography	61,397	0%	13%	58%	79%
Business by Geography (D&B 2003)	3,889	0%	6%	79%	15%
Family Distribution by Income Tract Level	15,745	0%	12%	58%	30%
2004 HUD Adjusted Median Family Income for Non-MSA Nevada – \$55,300					

Sources: 2000 US Census, HUD updated MFIs, and 2003 Dun & Bradstreet

The assessment area local economy revolves around mining, gambling, and agriculture related industries. The city of Elko is the primary county hub for retail, education, medical, transportation, and mining support facilities. Mining is the largest industry with gold being the principal product. Gold mining, in particular, has seen a recent resurgence in prices per ounce and is currently near all time industry highs, which is a significant boon to the local economy. Cattle ranching also plays an important role in the economy, and hay is the chief agricultural product. Several banks, savings and loan associations, and one credit union are located in Elko.

The Nevada economy continues to create jobs, as employment increased by 2,500 statewide in November 2004, despite normal seasonal declines in the construction and tourism sectors. The retail sector added 3,400 jobs in November. The statewide unemployment rate rose to 3.7 percent, but it remained near the long-term low of 3.6 percent reached in October.

Nevada's economic strength is not limited to the state's two urban centers of Reno and Las Vegas. Projects that should have a positive impact on the rural communities include a Sherwin-Williams plant in Fernley, a Home Depot in Elko, a Wal-Mart expansion in Fallon, a new trucking terminal in Wells, and a Wal-Mart distribution center in Storey County. Those five projects could provide nearly 1,000 permanent jobs in the state's rural areas and hundreds of temporary jobs during construction. Additionally, new power plants are planned or under consideration in Storey, Eureka and White Pine counties

Housing is readily available with normal-sized homes ranging from \$95,000-\$130,000, and larger homes from \$130,000-\$170,000. Custom built homes may take several months to finish. Also available are double-wide mobile homes on a one or two acre lot for \$50,000-\$100,000. Rental units are available although apartments may require a few weeks on a waiting list. The average rental cost is \$500-\$900 per month for apartments and houses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To assess the institution's performance with respect to the Community Reinvestment Act (CRA), the four following performance areas are analyzed:

- **The bank's average quarterly loan to deposit ratio**
- **Lending within its assessment area**
- **Lending to businesses of different sizes**
- **Geographic distribution of loans**

LOAN TO DEPOSIT RATIO

This performance factor measures the extent to which the bank utilizes its deposit resources to extend credit. GBB's ratios since the prior 1999 CRA examination are depicted below:

12/31/99	3/31/00	6/30/00	9/30/00	12/31/00	3/31/01	6/31/01	9/30/01	12/31/01	3/31/02
80%	83%	88%	90%	92%	87%	90%	88%	86%	83%

6/30/02	9/30/02	12/31/02	3/31/03	6/30/03	9/30/03	12/31/03	3/31/04	6/30/04	9/30/04
80%	81%	76%	77%	72%	71%	69%	70%	68%	72%

Average Loan to Deposit Ratio Since the Last Exam: 80%

Average Loan to Deposit Ratio Last Four Quarters: 70%

The overall ratio shows that the bank actively uses its resources to grant credit in line with loan demand and bank growth. Total loans and deposits have grown steadily during the assessment period, however deposit growth, at 142 percent, has outpaced loan growth, at 105 percent. The overall ratio has declined the past two years largely due to reduced loan demand and the addition of deposits associated with the opening of the Winnemucca branch in May 2002.

SAMPLING CRITERIA FOR REMAINING PERFORMANCE FACTORS

The following is the sample criteria used to determine the bank’s performance with respect to:

- **Lending Within Its Assessment Area**
- **Lending to Businesses of Different Sizes**
- **Geographic Distribution of Loans**

Commercial Loan Sample

Only the bank’s commercial related loan portfolio was sampled for CRA purposes as it is significantly the largest volume of bank business. The sampled universe consisted of all commercial loans made during the first nine months of 2004. This amounted to a total universe of 235 loans totaling \$26,452,492. Of this, a random sample of 38 loans totaling \$4,668,143 was selected from which the following analysis was made:

LOANS INSIDE/OUTSIDE THE ASSESSMENT AREA

This performance criteria measures the degree in which a bank lends within its designated assessment area. Using the previously described loan sample, the following table shows the percentage of loans, by number and volume, that the bank extended within its assessment area. As the table shows, the bank extended a majority of loans by number and volume within its assessment area for the analysis period.

Distribution of Loans Inside and Outside of the Bank’s Assessment Area										
Loan Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004 YTD Commercial Sample	32	84%	6	16%	38	3,137	67%	1,531	33%	\$4,668

Source: Bank Records

January 1 through September 30, 2004

- **84% of sampled loans by number were located within the bank’s assessment area**
- **67% of sampled loans by dollar volume were located in assessment area**

The analysis of the remaining performance factors only consider loans made within the bank's assessment area.

LENDING TO BUSINESS OF DIFFERENT SIZES

Commercial Loan Sample

Small business loans are defined for CRA purposes as those loans made to businesses, including farms, with annual gross revenues of \$1 million or less. To determine the bank's commercial loan revenue distribution, the sample of loans made **within** the bank's assessment area was analyzed.

- For YTD 2004 this sample numbered 32 loans at \$3,136,643, representing 12% of all commercial loans by dollar amount originated during this time period.

The following table reflects a well-distributed loan penetration to businesses of different size, with a majority of loans by number made to small businesses with annual revenues under \$250,000, and a majority of loans by number and dollar made to small businesses under \$1 million.

Commercial Loan Revenue Distribution				
Annual Business Revenues	Number of Loans	Percent by Number	\$ Amount of Loans	Percent by \$ of Loans
\$0 - \$250,000	12	38%	539,005	17%
\$250,001 - \$500,000	6	18%	541,998	17%
\$500,001 - \$1,000,000	5	16%	610,500	20%
Small Business Totals	23	72%	1,152,498	54%
Over \$1,000,000	9	28%	1,445,140	46%

LENDING TO BUSINESSES IN DIFFERENT GEOGRAPHIES

GBB Assessment Area Census Tract Characteristics

As determined by the 2000 US Census and indicated by the following table, GBB's assessment area is comprised of 15 census tracts, with no **low income** tracts. The three **moderate-income** tracts represents 20 percent of total tracts, 13 percent of total assessment area population, and 6 percent of total businesses.

The following table compares the bank’s lending patterns of its commercial lending derived via the previously described loan sample, against certain applicable assessment area characteristics.

Distribution of Commercial Loans by Census Tracts							
Census Tract Income Level	Number of Loans	Percent by Number	\$ Amount of Loans	Percent by Dollar	Per 2000 Census		
					Assessment Area Tracts % by #	Assessment Area Tracts % by pop.	Assessment Area Tracts % by small bus
Low	0	0%	0	0%	0%	0%	0%
Moderate	0	0%	0	0%	20%	13%	6%
Middle	26	81%	2,760,738	88%	67%	58%	79%
Upper	6	19%	375,905	12%	13%	29%	15%

The bank’s lending patterns of its primary product are understandably centered and demographically correlated in the middle income tracts which make up a majority of assessment area census tracts, population, and small businesses. While the commercial loan sample did not show any penetration in the three moderate tracts, the bank was able to identify a number of loans outside of the sampled loans that were extended to borrowers in all three moderate tracts, including Tract 9403 which contains the Duck Valley Indian Reservation. The bank’s relationship with the Shoshone-Paiute Tribes living on the reservation is noteworthy. Established in 2003, this relationship consists of both deposit and loan activities, and includes operating credit lines, agriculture loans, start-up capital for a new convenience store, and credit cards.

RESPONSE TO WRITTEN COMPLAINTS

No CRA related complaints have been received by the bank since the last examination.