



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 1, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Laughlin National Bank
Charter 18667**

**1775 Casino Drive
Laughlin, Nevada 89029**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105-2292**

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| 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 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 CRA performance of **Laughlin National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 1, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Laughlin National Bank (LNB) is responsive to the credit needs of the community. A large majority of loans are extended in the designated assessment area. The distribution of loans reflects a good penetration among borrowers of different income levels and small businesses, as well as to geographies with different income levels. Although below national peer levels, the loan-to-deposit ratio is reasonable, when considering local economic conditions, the competitive environment, and low loan demand within the assessment area.

The following table indicates the performance level of Laughlin National Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>Laughlin National Bank</u> PERFORMANCE LEVELS | | |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan-to-Deposit Ratio | | X | |
| Lending in Assessment Area | X | | |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes | | X | |
| Geographic Distribution of Loans | | X | |
| Response to Complaints | No complaints received during evaluation period. | | |

DESCRIPTION OF INSTITUTION

LNB opened in 1987, and is located in the town of Laughlin, Nevada. Laughlin is a gaming dominated community and lies on the banks of the Colorado River. They operate two branch offices in Laughlin and their primary market focus is to serve the employees of the 11 major casinos. Although a variety of credit products are offered, the primary market credit demands are for consumer and small business lending. LNB is an acknowledged "second tier" consumer lender and fills a community credit need in this role.

LNB has adequate financial resources to meet the credit needs of its assessment area. As of September 30, 1997, total assets were approximately \$41 million and total loans were \$18 million. The previous (1995) CRA rating was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes portions of the Clark County, Nevada and the San Bernardino, California Metropolitan Statistical Areas (MSA). Geographically, the assessment area includes: Laughlin, Nevada; Bullhead City, Arizona; Kingman, Arizona; Needles, California; and rural Mohave County, Arizona. Population within the assessment area is 57,000 (est.), less than 9% of which is minority. Bullhead City, Arizona lies just across the Colorado River from Laughlin, Nevada, and has a population of 28,000. Laughlin's population is approximately 5,000. People over the age of 65 comprise 20% of the assessment area population, and the 1996 HUD weighted average median *family* income is \$45,977.

Within the assessment area, 53% of the census tracts or block-numbering areas (BNA) are designated as "low-to-moderate income" (LMI). By income level, 44% of the *households* are LMI.

The local economy is heavily dependent on gaming and related tourism activities. There is little in the way of manufacturing, agriculture, or high tech business. The Laughlin casinos alone employ over 12,000 and the employees are generally transient in nature. Over the past several years, gaming revenues have been flat. The assessment area has been adversely impacted by the increased availability of gambling alternatives throughout the western United States. Likewise, property values, both commercial and residential, have not yet recovered the significant devaluation of the early 1990's.

LNB's financial services competition, primarily in Bullhead City, is comprised of credit unions and local branches of large regional and multinational banks. There are no "peer" independent community banks in the primary market area.

We reviewed two community contacts in Laughlin performed by the Office of the Comptroller of the Currency during late 1995. Due to stagnant local economy, the previously indicated needs for personal loans, small business lending, and affordable rental housing remain valid.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LNB's loan-to-deposit ratio is reasonable given the local economic conditions, competitive environment, and lack of loan demand. The average ratio for the seven quarters ended June 30, 1997 is 46%, which is well below the national peer average of approximately 67%. There are no local "peer" banks to perform a meaningful comparison.

Because LNB is an acknowledged "second tier" lender, the low loan-to-deposit ratio is representative of LNB's continued commitment to the local community and its original purpose to serve casino employees. Local deposits continue to be encouraged, despite the lack of lending opportunities to employ those funds. As noted below, LNB has an overwhelming majority of its lending within the assessment area.

Lending Within the Assessment Area

LNB's percentage of loans within the assessment area is strong. Approximately 96% of consumer loans sampled and 93% of commercial and real estate loans outstanding are within the assessment area.

| Lending Within Assessment Area | | | | |
|---------------------------------------|-----------------------|-----------------|-------------------------------|-----------------|
| <i>Loan Type</i> | <i># Loans</i> | | <i>\$ Volume (000)</i> | |
| | <i>#</i> | <i>%</i> | <i>\$</i> | <i>%</i> |
| Consumer | 96 | 96% | 603 | 91% |
| Commercial and Real Estate | 175 | 93% | 10,001 | 84% |

We based our conclusions on our own independent sample of 100 recently approved consumer loans and an internal Bank analysis of commercial loans outstanding as of February 1997.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans to individuals of various income levels and businesses of different sizes is satisfactory. The bank does not conduct a comprehensive internal analysis based on borrowers' income or business revenues. Therefore, we reviewed a sample of 100 consumer loans originated from July 1996 to November 1997 to determine the distribution by borrower income. In addition, we used required regulatory data to determine the estimate average commercial loan size and volume. The tables below illustrate our findings.

| Consumer Loan Distribution by Income Categories | | | | |
|--------------------------------------------------------|----------------|----------|------------------------|----------|
| Income Designation | # Loans | | \$ Volume (000) | |
| | # | % | \$ | % |
| Low | 80 | 80% | 460 | 69.4% |
| Moderate | 10 | 10% | 96 | 14.5% |
| Middle | 6 | 6% | 60 | 9.0% |
| Upper | 4 | 4% | 47 | 7.1% |
| Total | 100 | 100% | 663 | 100% |

As indicated in the **Lending in the Assessment Area** section, of the 100 borrowers in our consumer sample, 96 were in the bank's assessment area. This translates to 96% of the number volume and 91% of the dollar volume of loans. The 90% of loans to LMI borrowers reflects positively on LNB's focus as a retail "second tier" lender and the local demographics.

| Lending to Businesses of Different Sizes | | | |
|-------------------------------------------------|----------|----------------|-------------------|
| Loan Type | # | \$(000) | \$ Average |
| Secured by Commercial Real Estate | 13 | \$1,774 | \$90 |
| Commercial and Industrial | 99 | \$4,588 | \$46 |
| Total | 112 | \$6,362 | \$57 |

The average commercial loan size of \$57 thousand is well below the \$100 thousand threshold commonly considered a small business loan.

Geographic Distribution of Loans

The geographic distribution of loans is satisfactory. Although the bank does not track their loan penetration by location, we were able to use the sample of recent consumer loan zip codes in order to reach our conclusion. Our analysis shows that over 70% of the loans were to persons in Bullhead City and rural Mohave County. Rural Mohave County is primarily LMI

geographies and Bullhead City is predominately moderate-middle income.

| Geographic Distribution of Consumer Loans (Lending Within Assessment area Only) | | | | | | |
|--------------------------------------------------------------------------------------------|--------------------------------|------------|---------------|--------------|---------------|----------|
| Geographic Area | # Census Tracts / BNAs: | | | | Loans: | |
| | Low | Mod | Middle | Upper | # | % |
| Rural Mohave County | 4 | 9 | 4 | 0 | 41 | 43% |
| Lake Havasu, Arizona | 0 | 2 | 7 | 1 | 0 | 0% |
| Needles, California | 0 | 3 | 0 | 0 | 1 | 1% |
| Laughlin, Nevada | 0 | 0 | 1 | 0 | 21 | 22% |
| Bullhead City, Arizona | 0 | 2 | 5 | 0 | 33 | 34% |
| Totals | 4 | 16 | 17 | 1 | 96 | 100% |
| Percentage | 11% | 42% | 45% | 2% | | |

Response to Complaints

During the evaluation period, LNB did not receive any CRA related complaints.

Record of Compliance with Antidiscrimination Laws

We did not note any evidence of illegal discrimination or disparate treatment intended to discourage applicants from applying for credit.