Community Bancorp
Form S-4/A
August 01, 2005
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As filed with the Securities and Exchange Commission on August 1, 2005

Registration No: 333-126618

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

COMMUNITY BANCORP

(exact name of registrant as specified in its charter)

Nevada	6712	01-0668846
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

400 South 4th Street, Suite 215

Las Vegas, Nevada 89101

(702) 878-0700

(Address, including zip code and telephone number, including area code, of registrant s principal and executive offices)

Edward M. Jamison

Community Bancorp

President and Chief Executive Officer

400 South 4th Street, Suite 215

Las Vegas, Nevada 89101

(702) 878-0700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

copies to:

John F. Stuart, Esq.
Reitner, Stuart & Moore
1319 Marsh Street
San Luis Obispo, CA 93401
(805) 545-8590

Gary S. Findley, Esq.
Gary Findley & Associates
1470 North Hundley Street
Anaheim, CA 92806
(714) 630-7910

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

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To the Shareholders of Bank of Commerce:

The Boards of Directors of Bank of Commerce (Commerce) and Community Bancorp (Community) have approved the merger of Commerce into a subsidiary of Community.

In the transaction, shareholders of Commerce will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Commerce stock, subject to certain proration provisions. Shareholders of Commerce will receive either $33.00 in cash or $33.00 worth of Community common stock for each share of Commerce common stock they own, subject to adjustment if certain merger related expenses of Commerce exceed $200,000. The actual number of shares of Community common stock you receive for each share of Commerce common stock will be determined by dividing $33.00 by the average closing price of Community common stock over the twenty trading days three trading days prior to the close of the merger. Our agreement provides that 50% of the total consideration paid in the transaction must be in Community common stock and 50% in cash.

We expect the transaction to be tax-free to Commerce s shareholders who elect to receive Community common stock. Cash paid in lieu of fractional shares and cash paid to those shareholders electing cash will be taxable. Upon completion of the merger, we expect that the shareholders of Commerce will own approximately 9% of the outstanding shares of Community.

We will hold an annual shareholders meeting at which our shareholders will be asked to elect directors and to approve the proposed merger, including the merger agreement. Approval by Community shareholders of the merger is not required. Information about our meeting is contained in this proxy statement prospectus. **In particular, see Risk Factors beginning on page 18.** We urge you to read this document carefully and in its entirety.

Whether or not you plan to attend the meeting, please vote as soon as possible to make sure that your shares are represented at the meeting. If you do not vote, it will have the same effect as voting against the merger.

Richard M. Robinson

President and Chief Executive Officer

Bank of Commerce

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR BANK REGULATORY AGENCY HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER OR DETERMINED IF THIS PROXY STATEMENT PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF ANY BANK SUBSIDIARY OF COMMUNITY, AND THEY ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

This proxy statement prospectus is dated August 2, 2005 and is first being mailed to shareholders on or about August 3, 2005.

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4343 E. Sunset Road

Henderson, Nevada 89014

Notice of Annual Meeting of Bank of Commerce

Date: August 16, 2005

Time: 5:30 P.M.

Place: Bank of Commerce s Sahara Branch, 7580 W. Sahara, Las Vegas, Nevada 89117

To Bank of Commerce Shareholders:

We are pleased to notify you of, and invite you to, an annual meeting of shareholders.

At the meeting you will be asked to vote on the following matters:

To vote on the election of nine (9) persons to the Board of Directors to serve until the 2006 annual meeting of shareholders and until their successors are elected and have been qualified, or until the merger is consummated. The persons nominated to serve as directors are:

Richard M. Robinson	Jack M. Woodcock	C.H. Wong
Charles W. Deaner	Frances M. Sponer	Donald G. Newnan
Nancy C. Houssels	Keith V. Thomas	Steven Nielsen

Proposal to approve the merger and the merger agreement pursuant to which Bank of Commerce will be merged into Community Bank of Nevada, a wholly-owned subsidiary of Community Bancorp, as described in the attached proxy statement prospectus.

Only shareholders of record at the close of business on August 1, 2005 may vote at the meeting.

Under Nevada law, holders of Commerce stock who dissent from the merger and comply with certain provisions will be entitled to receive a cash payment for their shares. A summary of the applicable requirement of such law is contained in the attached proxy statement prospectus under the caption THE MERGER Dissenters Rights of Commerce Shareholders. In addition, the text of the applicable provision is attached as Appendix C to the attached proxy statement prospectus.

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope, whether or not you plan to attend the meeting.

If you would like to attend the Commerce annual meeting and your shares are held by a broker, bank or other nominee, you must bring to the meeting a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of the shares. You must also bring a form of personal identification. In order to vote your shares at the Commerce annual meeting, you must obtain from the nominee a proxy issued in your name.

By order of the Board of Directors

Robin Panek, Secretary

August 2, 2005

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THE MERGER

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QUESTIONS AND ANSWERS ABOUT VOTING

Q: Why have you sent me this document?

A: This document is being delivered to you because it is serving as both a proxy statement for Bank of Commerce (Commerce or we) and a prospectus of Community Bancorp (Community). It is a proxy statement because it is being used by the Commerce Board of Directors to solicit the proxies of its shareholders. It is a prospectus because Community is offering shares of its common stock in exchange for shares of Commerce in the merger described below.

This proxy statement prospectus contains important information regarding the election of directors and the proposed merger, as well as information about Community and Commerce. It also contains important information about what our Board of Directors and management considered when evaluating this proposed merger. We urge you to read this proxy statement prospectus carefully, including its appendices.

Q: What is happening in this merger?

A: Commerce is being merged with and into Community Bank of Nevada, the wholly-owned subsidiary of Community. As a result of such merger, Commerce will cease to exist. The merger is governed by the Agreement to Merge and Plan of Reorganization dated May 19, 2005 (the merger agreement). A copy of the merger agreement is attached as Appendix A. For convenience, we refer to the entire transaction in this proxy statement prospectus as simply the merger.

Q: Why is the merger proposed?

A: Commerce is proposing the merger because its Board of Directors concluded that the merger is in its best interest and its shareholders best interest. Commerce believes that the merger affords a fair price and an opportunity for the combined companies to offer customers a broader array of services and products.

Q: What are the Commerce shareholders being asked to approve?

A: On the first proposal, Commerce shareholders are being asked to elect a slate of nine (9) directors to serve until their successors are elected and duly qualified, or until completion of the merger. On the second proposal, Commerce shareholders are being asked to approve the merger and the merger agreement, which approval must be obtained before the merger can be closed.

Q: What should I do now?

A: Simply indicate on your proxy card how you want to vote and then sign and mail your proxy card in the enclosed return envelope in time to be represented at the shareholder s meeting.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker has discretionary authority to vote your shares for you with respect to the election of directors. However, with respect to the merger your broker will vote your shares for you only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you fail to instruct your broker how to vote your shares, your broker may vote your shares for the election of directors, but as to the merger the effect will be the same as a vote against the merger.

Q: What happens if I don t vote?

A: If you fail to respond, your shares will not be counted to help establish a quorum at the annual meeting. Not voting also has the same effect as voting against the merger.

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Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the annual meeting. If your shares are held in your name you may do this in one of three ways:

Send a written notice to the Secretary of Commerce stating that you are revoking your proxy.

Complete and submit a new proxy card bearing a later date.

Attend the annual meeting and vote in person (but only if you tell the Secretary before the voting begins that you want to cancel your proxy and vote in person). Simply attending the meeting, however, will not revoke your proxy.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy card to Commerce at the address at the top of Commerce s notice of annual meeting.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote or to vote at the annual meeting.

Q: How many votes are needed to approve the merger proposal?

A: Approval of the merger proposal requires the affirmative vote of the holders of not less than a majority of the shares of Commerce common stock issued and outstanding on the record date.

Q: Who can help answer my questions?

A: If you have more questions about the merger or the annual meeting, you should contact:

Mr. Richard M. Robinson

President and Chief Executive Officer

Bank of Commerce

4343 E. Sunset Road

Henderson, Nevada 89014

(702) 307-9800

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SUMMARY

This brief summary, together with the Questions and Answers on the preceding pages, highlight selected information from the proxy statement prospectus. It does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement prospectus and the other documents to which we refer to understand fully the merger. Each item in this summary refers to the page where that subject is discussed in more detail.

Commerce to Hold Annual Meeting (Pages)

Commerce s annual meeting of shareholders will be held at 5:30 p.m. on August 16, 2005, at Bank of Commerce s Sahara Branch, 7580 W. Sahara, Las Vegas, Nevada 89117. At the meeting, you will be asked to elect directors and approve the merger.

Record Date; Shareholder Votes Required (Pages)

You are entitled to vote at the annual meeting if you owned Commerce common stock as of the record date, August 1, 2005. As of that date, there were 1,069,398 shares of Commerce outstanding, held by 82 shareholders of record. Each holder of Commerce common stock is entitled to one vote per share on all matters that may properly come before the meeting. The nine directors receiving the greatest number of votes will be elected to office. In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the meeting gives notice at the meeting, prior to voting for election of directors, of his or her intention to vote cumulatively. Approval of the merger requires the affirmative vote of not less than a majority of the outstanding shares of Commerce common stock.

Election of Directors

For information on the election of Commerce directors see PROPOSAL 1 ELECTION OF DIRECTORS beginning on page .

Information Regarding the Parties to the Merger (Pages and)

Community Bancorp

400 South 4th Street, Suite 215

Las Vegas, Nevada 89101

http://www.communitybanknv.com

Community Bancorp is a Las Vegas, Nevada-based bank holding company for Community Bank of Nevada. Community Bank of Nevada provides traditional commercial banking services to small and medium-sized businesses and individuals primarily in Clark County, Nevada, and the greater Las Vegas community.

At March 31, 2005, Community had total assets of $634.4 million, total deposits of $535.1 million and stockholders equity of $79.3 million. Community Bank of Nevada has five full service branches serving the greater Las Vegas community and recently opened loan production offices in San Diego, California, and Phoenix, Arizona. According to June 30, 2004 Federal Deposit Insurance Corporation (FDIC) data, Community Bank of Nevada s five branches have a 1.86% combined deposit market share within the area it serves, which would rank it third among community banks and tenth among all banks and thrifts.

Community Bank of Nevada commenced operations in July 1995 as a Nevada state bank. As a Nevada state bank, Community Bank of Nevada is subject to primary supervision, examination and regulation by the Nevada

Division of Financial Institutions. The Bank s deposits are insured by the FDIC up to the applicable limits thereof, and Community Bank of Nevada is a member of the Federal Reserve System.

Community s common stock trades on the NASDAQ National Market under the symbol CBON.

Additional information about Community is included in the section titled INFORMATION ABOUT COMMUNITY BANCORP AND COMMUNITY BANK OF NEVADA below and its Form 10-K for the year ended December 31, 2004 and in its Form 10-Q for the quarter ended March 31, 2005. If you want to obtain copies of those documents or other information concerning Community, please see WHERE YOU CAN FIND MORE INFORMATION on page .

Bank of Commerce

4343 E. Sunset Road

Henderson, Nevada 89014

http://www.bocnv.com

Commerce is a commercial bank providing traditional commercial banking services to businesses and communities in Clark County, Nevada. As of March 31, 2005, we had total assets, deposits and stockholders equity of approximately $167 million, $138 million and $15 million, respectively.

We currently operate three branch offices in Clark County, two located in Las Vegas and our headquarters, located in Henderson.

The Merger (Page and Appendix A)

As used in this document, the term the merger means the merger of Commerce with and into Community Bank of Nevada. The merger is governed by the Agreement to Merge and Plan of Reorganization dated May 19, 2005 (the merger agreement).

We have attached a copy of the merger agreement as Appendix A at the back of this proxy statement prospectus. We encourage you to read this agreement, as it is the legal document that governs the merger.

Risk Factors (Page)

An investment in Community s common stock includes substantial risks. See the section entitled RISK FACTORS beginning on page for a discussion of risks associated with the merger and an investment in Community s common stock.

Commerce Shareholders Have the Election to Receive Common Stock of Community, Cash or a Combination (Page)

Subject to the allocation provisions of the merger agreement, shareholders of Commerce will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Commerce.

You Will Receive $33.00 of Value for Your Commerce Common Stock (Page)

In the transaction, shareholders of Commerce will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Commerce stock, subject to certain proration provisions. Shareholders of Commerce will receive either $33.00 in cash or $33.00 worth of Community common stock for each share of Commerce common stock they own, subject to downward adjustment if certain

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merger related expenses of Commerce exceed $200,000. The actual number of shares of Community common stock you receive for each share of Commerce common stock will be determined by dividing $33.00 by the average closing price of Community common stock over the twenty trading days three trading days prior to the close of the merger. In addition, the amount of Community shares and/or cash is subject to certain allocation procedures designed to ensure that 50% of the total consideration paid to holders of Commerce stock is paid in Community common stock and 50% is paid in cash.

The following table sets forth historical per share market value for Community common stock based on the last sale price and Commerce common stock based on the last known trade prices and the equivalent market values for Commerce common stock on:

May 18, 2005, the last trading day before public announcement of the merger, and

July 29, 2005, the most recent date before the mailing of this proxy statement prospectus.

	Historical Market Price		Commerce Equivalent Pro Forma
	Community	**Commerce**	**Market Value (1)**
May 18, 2005	$ 27.06	$ 13.50(2)	$ 33.00(1)
July 29, 2005	$ 33.01	$ 13.50(2)	$ 33.00(3)

(1) Using an exchange ratio of 1.2195 shares of Community common stock for each share of Commerce common stock.
(2) There is and has been very little trading in Commerce common stock. The last trade known to management was for 2,500 shares at $13.50 on March 30, 2004.
(3) Using an exchange ratio of .9997 shares of Community common stock for each share of Commerce common stock.

Community cannot assure you that actual stock prices for its common stock will be equal to or greater than the prices shown in the table at the time of the merger or at any time after the completion of the merger. After the merger, there will be no further trading or a public market for Commerce common stock.

We urge you to obtain current market quotations for Community. For additional information on the historical market prices of Community and Commerce common stock please see INFORMATION ABOUT COMMUNITY AND COMMUNITY BANK OF NEVADA Market for Community s Common Equity and Related Stockholder Matters on page , and INFORMATION ABOUT COMMERCE Market for Commerce s Common Equity on page .

Dividends After the Merger

Commerce has no history of paying dividends.

Community has not paid a cash dividend since 2002 as it has used its current and retained earnings to support its rapid and continued growth. Community does not foresee any circumstances in the immediate future in which it would consider paying cash dividends on its common stock. Additionally, Community recently discontinued paying stock dividends.

Tax Effects of the Transaction (Page)

The merger will be tax-free for U.S. federal income tax purposes to Commerce shareholders who receive only Community shares in the merger. A Commerce shareholder who receives only cash in the merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash

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received and the tax basis of the Commerce shares exchanged therefor, and such gain or loss will be capital gain or loss assuming that the Commerce shares are held by the shareholder as a capital asset. A Commerce shareholder electing to receive Community shares and cash in the merger will recognize gain (but not loss) for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received in the merger and (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the Community shares received in the merger, over (b) the tax basis of the Commerce shares exchanged therefor. The gain recognized will be capital gain (assuming the Commerce shares are held by the shareholder as a capital asset) unless the receipt of cash by the Commerce shareholder has the effect of a dividend distribution, in which event the gain will be treated as ordinary dividend income (to the extent of the shareholder s ratable share of Commerce s accumulated earnings and profits at the time of the merger as calculated for U.S. federal income tax purposes).

We encourage you to consult your tax advisor about the tax consequences to you of the merger.

Our Board of Directors Recommendation (Page)

Commerce Shareholders. The Commerce Board of Directors has determined that the merger is fair to and in the best interest of Commerce and Commerce shareholders. It has unanimously approved the merger agreement and recommends that Commerce shareholders vote **FOR** the merger and the merger agreement.

Factors considered by our Board. You should also refer to the factors and reasons that our Board of Directors considered in reaching their decision to approve the merger, as explained starting on page .

Financial Advisor Gives Opinion That Merger Is Fair (Page and Appendix B)

Commerce s financial advisor, Hoefer & Arnett, has provided opinions to Commerce s Board of Directors orally on May 17, 2005, and then confirmed in writing on June 21, 2005, that subject to and based on the considerations referred to in its opinion, the merger was fair to the Commerce shareholders from a financial point of view. The full text of Hoefer & Arnett s opinion dated June 21, 2005 is attached as Appendix B to this proxy statement prospectus. Commerce urges its shareholders to read that opinion in its entirety.

Commerce Shareholders Should Make a Timely Election (Page)

Promptly after the close of the merger, Commerce shareholders will receive election forms by which they may indicate the form of consideration they wish to receive. Commerce shareholders will have 30 days to return their election forms and appropriate documentation. If you do not make a timely election, you may not receive the form of consideration that you want. The merger agreement requires that 50% of the total consideration paid in the merger must be in Community shares. If elections to receive Community shares are not made for exactly 50% of the total consideration paid in the merger, an allocation procedure will be applied until the necessary level has been achieved, except as to any Commerce shareholder who exercises dissenter s rights. The first election shares to which the allocation procedures will be applied will be those shares for which a timely and valid election have not been made. If, after allocating to the undesignated shares, an additional allocation is necessary, there will be a proration procedure applied.

PLEASE RETAIN THIS PROXY STATEMENT PROSPECTUS, SINCE IT WILL BE OF ASSISTANCE IN MAKING YOUR ELECTION.

Because the election will take place after the close of the merger, a minimum of forty-five days will pass between the close of the merger and your receipt of either cash, Community shares, or some combination for your shares of Commerce stock. If you are receiving Community shares, you will not be

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able to trade either Community or Commerce shares during this period since the election and allocation process will not have been completed. Further, the exchange ratio will be fixed prior to the closing of the merger, and changes in the share price of Community common stock that occur after the closing will not be reflected in that exchange ratio.

Certain Shareholders Have Agreed to Vote in Favor of the Merger (Page)

As of the record date for the meeting, the directors and certain significant shareholders of Commerce held voting power with respect to 64.7% of the outstanding shares of Commerce common stock. The directors and these significant shareholders of Commerce have signed contracts agreeing to vote their shares in favor of the merger agreement and the merger.

The directors and these significant shareholders entered into these agreements in order to induce Community to enter into the merger agreement. The director and voting agreements could discourage other companies from trying to acquire Commerce.

Dissenters Rights (Page and Appendix C)

Shareholders of Commerce will have dissenters rights in the merger. If you follow certain procedures, you may choose to receive the fair market value of your shares in cash when the merger is completed. The procedures which you must follow to exercise your dissenters rights are in Section 92A.300 et seq. of the Nevada Revised Statutes. We have attached Section 92A.300 et seq. as Appendix C.

Accounting Treatment (Page)

Community will account for the merger as a purchase for financial reporting purposes.

Benefits to Certain Officers and Directors in the Merger (Page)

When considering the recommendation of the Commerce Board of Directors, you should be aware that some Commerce directors and officers have interests in the merger that differ from the interests of other Commerce shareholders. These interests include:

- certain officers and directors have stock options which are exercisable in full prior to the merger;
- Richard Robinson, the President of Commerce, has entered into an employment agreement with Community Bank of Nevada which will be effective upon the closing of the merger; and

directors and officers have continuing liability insurance protection and indemnification protections.

The Commerce Board of Directors was aware of these interests and considered them before approving the merger agreement.

Things We Must Do for the Merger to Occur (Page)

Completion of the merger is subject to various conditions, including:

- approval of the merger agreement and the merger by the Commerce shareholders;
- receipt of all governmental and other consents and approvals that are necessary to permit completion of the merger; and
- other usual conditions.

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Certain of these customary conditions to the merger may be waived by Community or Commerce, as applicable.

Regulatory Approvals Needed (Page)

We cannot complete the merger unless it is approved by the Nevada Division of Financial Institutions and the Board of Governors of the Federal Reserve System. Applications with the Division of Financial Institution and the Federal Reserve have been filed. Community has received approval from the Federal Reserve. Community also filed a request with the Board of Governors of the Federal Reserve System for an exemption from the applicable application provisions of the Bank Holding Company Act. The Federal Reserve has recently confirmed that no application pursuant to the Bank Holding Company Act will be required in connection with the merger.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

When the Merger Will Occur (Page)

The merger will occur shortly after all of the conditions to its completion have been satisfied. We currently anticipate that it will close in August of 2005.

Termination of the Merger Agreement (Page)

The merger agreement may be terminated prior to the effective time of the merger for a variety of reasons, including either party may terminate the agreement if all significant conditions are not met by October 31, 2005 or if the other party breaches the agreement or by Community if its average stock price falls below $24.00 per share. If Community chooses to terminate the agreement because its average stock price falls below $24.00 per share, Commerce has the right to reinstate the agreement, however the exchange ratio used to determine both the amount of cash or Community common stock that a Commerce shareholder will receive for each share of Commerce common stock they own will be fixed at 1.3750.

Termination Fees Between Commerce and Community (Page)

Certain cash payments may be made under the merger agreement in the event a party terminates the merger agreement in certain situations, including a payment by Commerce to Community if the Commerce shareholders fail to approve the merger and its merger agreement.

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SELECTED HISTORICAL AND UNAUDITED PRO-FORMA FINANCIAL DATA

We are providing the following information to aid you in your analysis of the financial effects of the merger. The historical selected financial data in the following tables shows financial results actually achieved by Commerce and by Community for the periods presented. These are historical figures.

Commerce Historical Selected Financial Data

The following selected financial data with respect to Commerce for the years ended December 31, 2004 and 2003 have been derived from its audited financial statements. The selected financial data for the three months ended March 31, 2005 and 2004 comes from the unaudited financial statements of Commerce. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Commerce s financial information for the interim periods presented. The operating results for the three months ended March 31, 2005, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2005.

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	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	At or for the Year Ended December 31, 2004	At or for the Year Ended December 31, 2003
Income Data:				
Interest income	$ 2,569	$ 1,950	$ 8,498	$ 7,251
Interest expense	520	399	1,701	1,840
Net interest income	2,049	1,551	6,797	5,411
Provision for loan losses	306	130	1,130	611
Net interest income after provision for loan losses	1,743	1,421	5,667	4,800
Non-interest income	142	222	595	495
Non-interest expense	1,125	1,058	4,213	3,875
Income before income taxes	760	585	2,049	1,420
Provision for income taxes	258	199	689	481
Net Income	$ 502	$ 386	$ 1,360	$ 939
Share data:				
Earnings per share basic	$ 0.47	$ 0.36	$ 1.27	$ 0.90
Earnings per share diluted	0.41	0.34	1.19	0.88
Dividend payout ratio	0.00%	0.00%	0.00%	0.00%
Book Value per share	$ 14.04	$ 13.03	$ 13.69	$ 12.56
Shares outstanding at period end	1,069,398	1,069,398	1,069,398	1,069,398
Weighted average shares outstanding basic	1,069,398	1,069,398	1,069,398	1,040,134
Weighted average shares outstanding diluted	1,223,910	1,134,958	1,137,911	1,069,424
Balance Sheet Data:				
Cash and cash equivalents	20,977	24,975	11,213	14,479
Investments and other securities	22,628	22,859	22,806	12,598
Gross loans	121,636	100,541	119,266	103,247
Allowance for loan losses	1,576	836	1,334	1,175
Assets	167,493	151,730	155,764	133,251
Deposits	138,120	131,865	128,354	112,013
Stockholders equity	15,012	13,931	14,635	13,427
Selected Other Balance Sheet Data:				
Average assets	162,404	139,209	149,362	117,504
Average earning assets	155,470	130,414	141,411	110,512
Average stockholders equity	14,736	13,602	14,004	12,431
Selected Financial Ratios:				
Return on average assets (1)	1.24%	1.11%	0.91%	0.80%
Return on average stockholders equity (1)	13.82%	11.51%	9.71%	7.55%
Net interest margin (1)(2)	5.34%	4.82%	4.81%	4.90%
Efficiency Ratio (3)	51.30%	62.60%	57.50%	65.40%
Capital Ratios:				
Average stockholders equity to average assets	9.07%	9.77%	9.38%	10.58%
Leverage Ratio	9.34%	9.87%	9.41%	10.24%
Tier 1 Risk-Based Capital ratio	11.97%	12.27%	12.07%	12.29%
Total Risk-Based Capital ratio	13.20%	13.01%	13.17%	13.36%
Selected Asset Quality Ratios:				
Non-performing loans to total loans (4)	0.12%	0.48%	0.80%	0.23%
Non-performing assets to total loans and OREO	0.12%	0.95%	0.80%	0.74%
Non-performing assets to total assets (5)	0.09%	0.63%	0.61%	0.58%
Allowance for loan losses to total loans	1.30%	0.83%	1.12%	1.14%

Allowance for loan losses to non-performing loans	1,072.1%	173.8%	139.5%	495.8%
Allowance for loan losses to non-performing assets	1,072.1%	87.1%	139.5%	153.2%
Net charge-offs (recoveries) to average loans	0.07%	0.40%	0.92%	0.40%

(1) Annualized for the three-month periods ended March 31, 2005 and 2004.
(2) Net interest margin represents net income as a percentage of average interest earning assets.
(3) Efficiency ratio represents non-interest expenses, excluding loan loss provision, as a percentage of the aggregate of net interest income and non-interest income.
(4) Non-performing loans are defined as loans that are past due 90 days or more plus loans placed on non-accrued status.
(5) Non-performing assets are defined as assets that are past due 90 days or more plus assets placed in non-accrued status plus other real estate owned.

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Community Historical Selected Financial Data

The following selected consolidated financial data with respect to Community for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 have been derived from its audited financial statements. The selected consolidated financial data for the three months ended March 31, 2005 and 2004 comes from the unaudited financial statement of Community. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Community s financial information for the interim periods presented. The operating results for the three months ended March 31, 2005, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2005.

	Three Months Ended March 31,		At or for the Year Ended December 31,				
	2005	2004	2004	2003	2002	2001 (1)	2000 (1)
	(Dollars in thousands, except share, per share and percentage data)						
Consolidated Income Data:							
Interest income	$ 8,706	$ 7,059	$ 30,038	$ 27,143	$ 25,449	$ 24,119	$ 21,680
Interest expense	2,176	1,622	6,862	7,453	8,709	10,737	8,699
Net interest income	6,530	5,437	23,176	19,690	16,740	13,382	12,981
Provision for loan losses	$	$ 222	$ 922	$ 1,723	$ 1,958	$ 1,909	$ 1,655
Net interest income after provision for loan losses	6,530	5,215	22,254	17,967	14,782	11,473	11,326
Non-interest income	376	369	1,489	1,563	1,392	1,670	970
Non-interest expense	3,423	3,422	15,946	12,020	9,112	8,460	7,122
Income before income taxes	3,483	2,162	7,797	7,510	7,062	4,683	5,174
Provision for income taxes	1,101	713	2,376	2,295	2,337	1,526	1,745
Net Income	$ 2,382	$ 1,449	$ 5,421	$ 5,215	$ 4,725	$ 3,157	$ 3,429
Share Data:							
Earnings per share basic	$ 0.35	$ 0.31	$ 1.13	$ 1.13	$ 1.03	$ 0.69	$ 0.75
Earnings per share diluted	0.35	0.31	1.10	1.10	1.01	0.68	0.73
Dividend Payout Ratio (2)	%	%	5.31%	7.96%	5.83%	8.70%	8.00%
Book Value per share	$ 11.75	$ 7.21	$ 11.49	$ 6.96	$ 5.91	$ 4.87	$ 4.23
Shares outstanding at period end	6,750,257	4,661,485	6,747,673	4,629,580	4,607,040	4,582,040	4,573,115
Weighted average shares outstanding basic	6,749,250	4,604,873	4,798,922	4,620,744	4,591,026	4,579,653	4,564,574
Weighted average shares outstanding diluted	6,871,261	4,720,743	4,940,977	4,729,021	4,682,486	4,675,917	4,666,044
Consolidated Balance Sheet Data:							
Cash and cash equivalents	114,246	46,948	67,254	36,005	33,537	8,974	39,935
Investments and other securities	94,719	76,050	86,260	70,093	63,596	39,271	36,135
Gross loans	409,832	351,273	403,270	350,082	293,535	247,182	192,380
Allowance for loan losses	6,156	5,624	6,133	5,409	4,688	3,700	2,827
Assets	634,401	480,364	573,961	463,431	400,571	304,058	276,077
Deposits	535,112	418,842	476,252	403,713	351,584	277,422	254,976
Junior subordinated debt	15,464	15,464	15,464	15,464	15,464		
Stockholders equity	79,307	34,081	77,553	32,201	27,212	22,336	19,355
Selected Other Balance Sheet Data:							
Average assets	612,745	466,015	523,766	436,843	356,097	292,866	224,303
Average earning assets	581,658	445,796	498,578	416,742	336,682	276,228	208,208
Average stockholders equity	78,815	33,450	35,910	29,279	24,729	21,186	17,609
Selected Financial Ratios:							
Return on average assets	1.55%	1.24%	1.04%	1.19%	1.33%	1.08%	1.53%

Return on average stockholders equity	12.1%	4.3%	15.1%	17.8%	19.1%	14.9%	19.5%
Net interest margin (3)	4.49%	4.88%	4.65%	4.72%	4.97%	4.84%	6.23%
Efficiency Ratio (4)	49.57%	58.9%	64.7%	56.6%	50.3%	56.2%	51.1%

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	Three Months Ended March 31,		At or for the Year Ended December 31,				
	2005	2004	2004	2003	2002	2001 (1)	2000 (1)
	(Dollars in thousands, except share, per share and percentage data)						
Capital Ratios:							
Average stockholders equity to average assets	12.86%	7.17%	6.86%	6.70%	6.94%	7.23%	7.85%
Leverage Ratio	15.49%	9.49%	16.91%	8.96%	8.84%	7.06%	7.53%
Tier 1 Risk-Based Capital ratio	19.50%	11.45%	19.66%	11.18%	11.03%	8.58%	9.04%
Total Risk-Based Capital ratio	20.72%	13.71%	20.92%	13.61%	14.14%	9.83%	10.29%
Selected Asset Quality Ratios:							
Non-performing loans to total loans (5)	0.22%	1.11%	0.24%	0.66%	1.10%	2.26%	3.11%
Non-performing assets to total loans and OREO	0.22%	1.41%	0.78%	1.00%	1.99%	3.29%	3.11%
Non-performing assets to total assets (6)	0.14%	1.03%	0.55%	0.76%	1.47%	2.71%	2.17%
Allowance for loan losses to total loans	1.50%	1.60%	1.52%	1.55%	1.60%	1.50%	1.47%
Allowance for loan losses to non-performing loans	673.5%	144.9%	634.9%	233.7%	145.0%	66.2%	47.2%
Allowance for loan losses to non-performing assets	673.5%	113.3%	194.3%	154.2%	79.6%	45.0%	47.2%
Net charge-offs (recoveries) to average loans	0%	0%	0.05%	0.31%	0.36%	0.47%	0.40%

(1) Community Bank of Nevada data only. The holding company reorganization was completed August, 2002.
(2) The dividend payout ratios for 2004 and 2003 are based on stock dividends, the ratio for 2002 is based on both stock and cash dividends, the ratios for years prior to 2002 are based on cash dividends.
(3) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(4) Efficiency ratio represents noninterest expenses, excluding loan loss provision, as a percentage of the aggregate of net interest income and noninterest income.
(5) Non-performing loans are defined as loans that are past due 90 days or more plus loans placed in non-accrual status.
(6) Non-performing assets are defined as assets that are past due 90 days or more plus assets placed in non-accrual status plus other real estate owned.

Selected Unaudited Pro Forma Combined Financial Information

The accompanying unaudited pro forma combined balance sheet data assumes the merger took place as of March 31, 2005. The unaudited pro forma consolidated balance sheet data combines the unaudited consolidated balance sheet data of Community as of March 31, 2005 and the unaudited balance sheet data of Commerce as of March 31, 2005.

The accompanying unaudited pro forma combined statement of income data presents the unaudited consolidated statement of income data of Community for the three months ended March 31, 2005 and the audited consolidated statement of income data for the year ended December 31, 2004 combined, respectively, with Commerce s unaudited statement of income data for the three months ended March 31, 2005 and audited statement of income data for the year ended December 31, 2004. The unaudited pro forma combined statement of income data gives effect to the merger as if it has occurred as of the beginning of each period.

You should not assume that the combined company would have achieved the pro forma combined results if they had actually been combined during the periods presented. For purposes of illustration, the pro forma combined figures have been calculated assuming that the average closing price of Community common stock is $26.66 resulting in value to Commerce shareholders of $33.00 per share in cash. As of March 31, 2005, there were 1,069,398 Commerce shares outstanding. An exchange ratio of 1.2378 was used to determine the number of shares of Community common stock to be issued.

The pro forma financial information includes purchase accounting adjustments to record the assets and liabilities of Commerce at their estimated fair values and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The pro forma financial information is

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presented for illustrative purposes only and does not indicate the financial results of the combined company had the impact of business integration costs, possible revenue enhancements and expense efficiencies, among other factors, been considered.

The unaudited pro forma financial information presented below should be read together with the historical financial statements of Community and Commerce, including the related notes and the other unaudited pro forma financial information, including the related notes, appearing elsewhere in this document. See UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS beginning on page . The unaudited pro forma financial data is not necessarily indicative of results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

	Three Months Ended March 31, 2005	Year Ended December 31, 2004
	(Unaudited)	(Unaudited)
	(In thousands)	
Summary Statements of Income Data:		
Interest income	$ 11,137	$ 37,986
Interest expense	2,696	8,563
Net interest income before provisions for loan losses	8,441	29,423
Provision for loan losses	306	2,052
Net interest income after provisions for loan losses	8,135	27,371
Non-interest income	518	2,084
Non-interest expense	4,653	20,577
Income before income taxes	4,000	8,878
Income tax provision	1,276	2,736
Net income	$ 2,724	$ 6,142
Earnings per share basic	$ 0.36	$ 1.11
Earnings per share diluted	$ 0.36	$ 1.08

	March 31, 2005
	(Unaudited) (In thousands)
Summary Balance Sheet Data:	
Cash and cash equivalents	$ 20,319
Total investment securities	114,275
Net loans	521,192
Intangible assets	25,696
Total assets	806,886
Total deposits	673,232
Total liabilities	707,575
Total stockholders equity	99,311

Unaudited Comparative Per Share Data

The following table sets forth for Community common stock and Commerce common stock certain historical, unaudited pro forma combined and unaudited pro forma equivalent per share financial information. The unaudited pro forma combined and unaudited pro forma equivalent per share information gives effect to the merger as if the merger had been effective at the beginning of the periods presented; the book value data

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presented gives effect to the merger as if the merger had been effective at the date of the balance sheet. The unaudited pro forma data in the following table assume that the merger is accounted for using the purchase method of accounting. The information in the following table is based on, and should be read together with, the unaudited pro forma combined financial information that appears elsewhere in this document and the historical financial information of Commerce and Community. See UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS on page and WHERE YOU CAN FIND MORE INFORMATION on page .

The pro forma financial information is not necessarily indicative of results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

	Three Months Ended March 31, 2005	Year Ended December 31, 2004
Community historical per share data:		
Basic earnings per share	$ 0.35	$ 1.13
Diluted earnings per share	$ 0.35	$ 1.10
Book value per share	$ 11.75	$ 11.49

	Three Months Ended March 31, 2005	Year Ended December 31, 2004
Commerce historical per share data:		
Basic earnings per share	$ 0.47	$ 1.27
Diluted earnings per share	$ 0.41	$ 1.19
Book value per share	$ 14.04	$ 13.69

	Three Months Ended March 31, 2005	Year Ended December 31, 2004
Unaudited pro forma per share data:		
Combined earnings per Community share (1)		
Basic	$ 0.36	$ 1.11
Diluted	$ 0.36	$ 1.08
Basic and diluted earnings per equivalent Commerce share (2)		
Basic	$ 0.45	$ 1.37
Diluted	$ 0.45	$ 1.34
Book value per Community share	$ 13.24	N/A
Book value per equivalent Commerce share (3)	$ 16.39	N/A
Tangible book value per Community share	$ 9.81	N/A

(1) The unaudited pro forma earnings per share amounts are calculated by totaling the historical net income (after giving effect to pro forma adjustments) of Community and Commerce and dividing the resulting amount by the average pro forma shares of Community giving effect to the merger using an implied exchange ratio of 1.2378 (based on Community s share price of $26.66 as of March 31, 2005) and inclusive of 661,850 shares of Community stock to be issued in exchange for 50% of Commerce s common shares outstanding of 1,069,398 plus 88,473 net shares issued in exchange for options.

(2) Per equivalent Commerce share data is calculated by taking the product of the unaudited combined pro forma per share data combined and an implied exchange ratio of 1.2378 (based on Community s share price of $26.66 as of March 31, 2005).

(3) Pro forma book value per common share is based on the pro forma total stockholders equity of the combined entity divided by the total pro forma common shares of the combined entity giving effect to the merger using an implied exchange ratio of 1.2378 which would result in the issuance of 750,323 shares of Community common stock.

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RECENT DEVELOPMENTS

The following information consisting of recently announced unaudited selected financial data of Commerce and Community for the six months ended June 30, 2005 and 2004 is provided to aid you in your analysis of the financial effects of the merger. The operating results for the six months ended June 30, 2005, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2005.

Bank of Commerce

Financial Data

	At or For the Six Month Period Ended June 30, (Unaudited)	
	2005	**2004**
	(Dollars in thousands except per share data)	
Income Data:		
Interest income	$ 5,156	$ 3,969
Interest expense	1,080	784
Net interest income	4,076	3,185
Provision for loan losses	371	262
Net interest income after provision for loan losses	3,705	2,923
Non-interest income	294	335
Non-interest expense	2,358	2,158
Income before income taxes	1,641	1,100
Provision for income taxes	558	373
Net Income	$ 1,083	$ 727
Share data:		
Earnings per share basic	$ 1.01	$ 0.68
Earnings per share diluted	0.88	0.64
Book Value per share	$ 14.67	$ 12.81
Weighted average shares outstanding basic	1,069,398	1,069,398
Weighted average shares outstanding diluted	1,223,910	1,133,449
Balance Sheet Data:		
Investments and other securities	23,001	28,848
Gross loans	108,201	103,290
Allowance for loan losses	1,626	935

Total Assets	153,425	142,982
Total Deposits	127,939	121,438
Total Stockholders equity	15,690	13,702

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	At or For the Six Month Period Ended June 30, (Unaudited)	
	2005	2004
	(Dollars in thousands except per share data)	
Selected Ratios (1):		
Return on average assets	1.31%	0.97%
Return on average stockholders equity	14.9%	10.9%
Net interest margin	5.17%	4.75%
Efficiency Ratio	54.0%	61.3%
Non-performing loans to total loans	0.23%	0.34%
Allowance for loan losses to total loans	1.50%	0.91%

(1) Ratios and yields for the six months operating periods in 2005 and 2004 have been annualized where applicable.

Overview

Commerce s net income for the first six months of 2005 was up 49% to $1.1 million compared to $727,000 for the comparable period in 2004. Improvement in Commerce s net interest margin, efficiency ratio (decreasing to 54.0% for the first six months of 2005 compared to 61.3% for the same period in 2004), and average earning assets growth of 14.5% for the first six months of 2005 compared to the first six months of 2004 were all factors contributing to the growth in earnings.

Basic and diluted earnings per share of $1.01 and $0.88, respectively, for the first six months of 2005 increased significantly over the $0.68 and $0.64, respectively for the comparable period in 2004. The return on average stockholders equity first six months of 2005 was 14.9% compared to 10.9% for the same period in 2004. The return on average assets for the first six months of 2005 was 1.31% compared to .97% for the comparable period in 2004.

Net Interest Income

Net interest income increased 28.0% to $4.1 million for the first six months of 2005 as compared to $3.2 million for the first six months of 2004. The increase was the result of a 14.5% increase in average earning assets and an 8.8% increase in the net interest margin for the first six months of 2005 as compared to the same period in 2004. Commerce had a net interest margin for the first six months of 2005 of 5.17% up from 4.75% for the same period in 2004. The primary reasons for the increase in net interest margin were the increases in Commerce s average earning assets and the Federal Reserve s short-term rates. The Federal Reserve has increased short-term interest rates nine times within the past year.

Non-interest Income and Non-interest Expense

Non-interest income for the first six months of 2005 decreased 12.2% to $294,000 from non-interest income of $335,000 for the comparable period of 2004.

Non-interest expense for the first six months of 2005 increased 9.3% to $2.4 million from $2.2 million for the same period in 2004. The primary reasons for the increase in non-interest expense are the costs related to the settlement of two lawsuits for approximately $70,000 and the increase in salaries and benefits and data processing costs.

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Loan Loss Provision

Commerce management added a $371,000 provision for loan losses to Commerce s loan loss reserves for the first six months of 2005. The provision for loan losses during the first six months 2004 was $262,000. Commerce s non-performing loans to total loans decreased to 0.23% at June 30, 2005 compared to 0.34% at June 30, 2004.

Community Bancorp

Financial Data

	At or For the Six Month Period Ended June 30 (Unaudited)	
	2005	**2004**
	(Dollars in thousands, except per share data)	
Consolidated Income Data:		
Interest Income	$ 18,382	$ 14,314
Interest Expense	4,482	3,366
Net Interest Income	13,900	10,948
Loan Losses Provision	91	222
Net Interest After Loan Loss Provision	13,809	10,726
Non-interest Income	795	719
Non-interest Expense	8,064	6,851
Income Before Income Taxes	6,540	4,594
Income Taxes	2,138	1,521
Net Income	$ 4,402	$ 3,073
Per Share Data:		
Income (Loss) per Share Basic	$ 0.65	$ 0.66
Income (Loss) per Share Diluted	$ 0.64	$ 0.64
Book Value	$ 12.09	$ 7.34
Average Shares Outstanding Basic	6,750,973	4,658,699
Average Shares Outstanding Diluted	6,870,482	4,783,170
Consolidated Balance Sheet Data:		
Total Assets	651,131	577,429

Investment Securities	85,060	70,925
Loans, Gross	471,107	338,201
Allowance for Loan Losses	6,068	5,683
Total Deposits	504,062	525,959
Total Stockholders Equity	81,636	34,294
Selected Ratios (1):		
Return on Average Assets	1.44%	1.23%
Return on Average Stockholder s Equity	11.03%	18.78%
Net Interest Margin	4.79%	4.57%
Efficiency ratio	54.88%	58.72%
ALLL to Loans	1.29%	1.68%
Non-performing Loans to Total Loans	0.13%	0.95%

(1) Ratios and yields for the six month operating periods in 2005 and 2004 have been annualized where applicable.

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Overview

Community s net income for the first half of 2005 was up 43.2% to $4.4 million compared to $3.1 million for the comparable period last year. Improvement in Community s net interest margin, the asset sensitivity of its balance sheet, an improved efficiency ratio (decreasing to 54.9% for the first half of 2005 compared to 58.7% for the same period in 2004), and loan growth of 39.3% period-over-period were all factors contributing to the growth in earnings.

Basic and diluted earnings per share of $0.65 and $0.64, respectively, for the first half of 2005 were comparable to the $0.66 and $0.64 for the like period in 2004 despite the 44% growth in shares outstanding resulting from Community s initial public offering. Second quarter return on equity was 10.0% compared to 19.1% for the year-ago quarter due to the increase in equity from the public offering in December 2004. Return on assets for the second quarter was 1.3% compared to 1.2% for the second quarter of 2004. Return on equity and return on assets were 11.0% and 1.4% for the six month period in 2005 compared to 18.8% and 1.2% for the same period 2004.

Net Interest Income

Net interest income increased 27% to $13.9 million for the first half of 2005 as compared to $10.9 million for the first half of 2004. The increase was attributed to a 21.2% increase in average earning assets for 2005 as well as an increase in Community s net interest margin.

Community had a net interest margin for its second quarter of 5.09% up from 4.32% for the same period a year earlier and 4.79% for the first half of 2005 compared to 4.57% for the same period in 2004. The increase in net interest margin is attributed to loan growth and the Federal Reserve s recent rise in short-term rates. The Federal Reserve has increased short-term interest rates nine times within the past year.

Non-interest Income and Non-interest Expense

Non-interest income for the first half of 2005 was up 10.6% to $795,000 compared to the comparable period of 2004. This increase consisted of $251,000 from an increase in cash surrender value of bank owned life insurance purchased in July 2004 partially offset with a decrease in loan brokerage and referral fees of $155,000. The decline in loan brokerage and referral fees was caused by the reduction of staff in the residential mortgage origination department during the third quarter of 2004.

Non-interest expense for the first half of 2005 increased by 17.7% or $1.2 million to $8.1 million compared to the same period in 2004. Expense increases were primarily attributed to a $219,000 adjustment to the accrual for stock appreciation rights based on the fair value of the Company s stock as of June 30, 2005, an increase in salary and employee benefits of $792,000 and an increase in professional fees of $354,000. The second quarter is the last quarter in which a significant adjustment to the accrual for the stock appreciation rights is expected as 90% of the stock appreciation rights mature and will be paid out in July of 2005. The salary and employee benefits increased with the successful hiring of a Chief Credit Officer in January, 2005 followed by seven experienced lenders during the first half of 2005. Professional fees increased in order to ensure compliance with laws and regulations that Community is now subject to as a public company.

Loan Loss Provision

As a result of conducting Community s quarterly allowance calculation analysis, which considers asset quality, loan growth, changes in loan mix and other qualitative factors, it was determined that a $91,000 addition to the provision for loan losses was necessary for the second quarter of 2005. No provision for loan losses was taken during the second quarter 2004. Community s non-performing loans to total loans decreased to 0.13% at June 30, 2005 compared to 0.95% at June 30, 2004. Additionally, Community reported net charge-offs of $178,000 for the second quarter 2005 compared to net charge offs of $7,000 for the same period in 2004.

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FORWARD LOOKING STATEMENTS

Certain statements contained in this proxy statement prospectus, including, without limitation, statements containing the words believes, anticipates, intends, expects and words of similar import, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements, including among others those found in SUMMARY and THE MERGER, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the combined companies to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

In particular, certain statements are made in this document regarding expected cost savings to result from the merger, the anticipated accretive effect to earnings of the merger, an improved ability to compete with larger competitors, restructuring charges expected to be incurred in connection with the merger, and the operation of the combined companies. With respect to estimated cost savings, assumptions have been made about the anticipated overlap between the costs of the two banks for operations, the amount of general and administrative expenses, the size of anticipated reductions in fixed labor costs, the amount of severance costs, the effort involved in aligning accounting policies and the transactional costs of the merger. The realization of the anticipated cost savings is subject to the risk of possible inaccuracy of the foregoing assumptions.

In addition to the risks discussed in RISK FACTORS, the following factors may also cause actual results to differ materially from historical results or from those described in forward looking statements in this proxy statement prospectus:

- demographic changes;
- changes in business strategy or development plans or the inability to execute same;
- the availability of capital to fund the expansion of the combined business;
- dependency on real estate and economic conditions in Clark County, Nevada;
- adverse impacts from an economic downturn or borrowers failing to perform;
- increased competition;
- continuing ability to originate, sell and service loans;
- legislative and regulatory developments and policies;
- changes in interest rates;

- environmental risks;
- operational risks; and
- other factors referenced in this proxy statement prospectus.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Community and Commerce disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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RISK FACTORS

Risks Related to the Merger

The merger involves a high degree of risk. Because a substantial portion of the merger consideration consists of Community common stock, most Commerce shareholders will become Community shareholders after the merger. An investment in the combined companies will include different risks than an investment in either of the constituent companies. In deciding how to vote your shares of Commerce stock at the annual meeting, Commerce shareholders should carefully consider the following factors, in addition to the other information in this proxy statement prospectus, including the matters addressed under FORWARD LOOKING STATEMENTS.

Community may be unable to integrate operations successfully or to achieve expected cost savings.

The earnings, financial condition and prospects of Community after the merger will depend in part on Community s ability to integrate the operations and management of Commerce and to continue to implement its own business plan. There is no assurance that Community will be able to do so. Among the issues which Community could face are:

- unexpected problems with operations, personnel, technology or credit;
- loss of customers and employees of Commerce;
- difficulty in working with Commerce s employees and customers;
- the assimilation of Commerce s operations, site and personnel; and
- instituting and maintaining uniform standards, controls, procedures and policies.

Further, although the Boards of Directors of both parties anticipate cost savings as a result of the merger, Community may not be fully able to realize those savings. Any cost savings which are realized may be offset by losses in revenues or other charges to earnings.

Community expects to incur significant costs associated with the merger.

Community estimates that it has incurred or will incur transaction costs totaling approximately $700 thousand associated with the merger, a portion of which will be incurred whether or not the merger closes. Community believes the combined company may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or subsequent quarters, to reflect costs associated with integrating the two banks. There is no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger, including charges associated with the impairment of any goodwill booked in connection with the merger.

The loan portfolios may not perform as expected.

Community s performance and prospects after the merger will be dependent to a significant extent on the performance of the combined loan portfolios of Commerce and Community Bank of Nevada, and ultimately on the financial condition of their respective borrowers and other customers. The existing loan portfolios of the two banks differ to some extent in the types of borrowers, industries and credits represented. In addition, there are differences in the documentation, classifications, credit ratings and management of the portfolios. As a result, Community s overall loan portfolio after the merger will have a different risk profile than the loan portfolio of either Commerce or Community Bank of Nevada before the merger. The performance of the two loan portfolios will be adversely affected if any of such factors is worse than currently anticipated. In addition, to the extent that present customers are not retained by Commerce or additional expenses are incurred in retaining them, there could be adverse effects on future consolidated results of operations of Community following the merger.

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Realization of improvement in profitability is dependent, in part, on the extent to which the revenues of Commerce are maintained and enhanced.

The market price of Community common stock is uncertain.

The shares of Community common stock which will be issued to Commerce shareholders in the merger are based on the average closing price of Community stock for a period prior to the merger.

The market price of Community common stock on or after consummation of the merger may not approximate the prices of Community prior to the merger.

Stock price changes, whether before or after the merger, may result from a variety of factors including general market and economic conditions, changes in the respective businesses, operations and prospects and regulatory considerations. Additionally, since Community and Commerce differ, the results of the combined company and its market price may be affected by factors different than those currently affecting the independent results of both companies and their respective stock prices.

You will not receive your merger consideration upon closing of the merger.

Because the election will take place after the close of the merger, a minimum of forty-five days (the election period) will pass between the close of the merger and your receipt of either cash, Community shares, or some combination for shares of Commerce stock you own. Further, the exchange ratio will be fixed prior to the closing of the merger, and changes in the share price of Community common stock that occur after the closing will not be reflected in that exchange ratio. If you are receiving Community shares, you will not be able to trade either Community or Commerce shares during this period since the election and allocation process will not have been completed.

Commerce shareholders may not receive the form of merger consideration that they elect.

The merger agreement is designed to ensure that 50% of the total consideration that will be paid to Commerce shareholders in the merger will be paid in cash, and the other 50% will be paid in shares of Community common stock. Commerce shareholders may elect to receive cash, Community common stock or a combination as their merger consideration, but their election may not be fully honored. See THE MERGER Election Procedure.

If an election is not fully honored, a Commerce shareholder will incur tax consequences that differ from those that would have resulted had he or she received the form of consideration elected. See THE MERGER Material Federal Income Tax Consequences.

Risks Relating to Community s Market and to Community s Business

A deterioration in economic conditions and a slow down in growth generally, and a slowdown in gaming and tourism activities in particular, could adversely affect Community s business, financial condition, results of operations and prospects. Such a deterioration could result in a variety of adverse consequences to Community, including a reduction in net income and the following:

Loan delinquencies may increase, which would cause Community to increase loan loss provisions;

Problem assets and foreclosures may increase, which could result in higher operating expenses, as well as possible increases in Community s loan loss provisions;

Demand for Community s products and services may decline including specifically, the demand for loans, which would cause its revenues, which include net interest income and noninterest income, to decline; and

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Collateral for loans made by Community may decline in value, reducing a customer s borrowing power, and reducing the value of assets and collateral associated with its loans, which could cause decreases in net interest income and increasing loan loss provisions.

The greater Las Vegas area economy has grown dramatically during the past several years. The failure of this economy to sustain such growth in the future could seriously affect Community s ability to grow and to be profitable.

Community s assets have enjoyed substantial growth with an annual compounded growth rate of 25.6% for the five year period ending December 31, 2004. In large part, Community s growth has been fueled by the significant growth in the greater Las Vegas area. Diminished growth of this market in the future could have a significant adverse impact on Community s continued growth and profitability.

While the current economic forecasts prepared by the Center for Business and Economic Research at University of Nevada at Las Vegas remain optimistic about the future growth of Las Vegas, albeit at lower growth rates than have recently been experienced, there are uncertainties in the economy, besides tourism and gaming discussed below, such as limitations on water, the continued measured availability of land from the Bureau of Land Management, infrastructure strains, increasing costs of housing, and tax and budgetary pressures, which may hamper future growth.

Community s market area is substantially dependent on gaming and tourism revenue, and a downturn in gaming or tourism could seriously hurt its business and prospects

Community s business is currently concentrated in the greater Las Vegas area which has an economy unique in the United States for its level of dependence on services and industries related to gaming and tourism. Any event that negatively impacts the tourism or gaming industry will adversely impact the Las Vegas economy.

Gaming and tourism revenue (whether or not such tourism is directly related to gaming) is vulnerable to various factors. A prolonged downturn in the national economy could have a significant adverse effect on the economy of the Las Vegas area. Virtually any development or event that could dissuade travel or spending related to gaming and tourism, whether inside or outside of Las Vegas, could adversely affect the Las Vegas economy. In this regard, the Las Vegas economy is more susceptible than the economies of other cities to issues such as higher gasoline and other fuel prices, increased airfares, unemployment levels, recession, rising interest rates, and other economic conditions, whether domestic or foreign.

Gaming and tourism are also susceptible to certain political conditions or events, such as military hostilities and acts of terrorism, whether domestic or foreign. The effects of the terrorist attacks of September 11, 2001, on gaming and tourism in Las Vegas were substantial for a few months. Reduced civilian air traffic in large part caused a reduction in revenue and employee layoffs in many hotels and casinos. This resulted in a substantial loss of revenues for these businesses. Any direct attack on locations in Las Vegas would likely have an even greater adverse impact on the local economy.

Las Vegas competes with other areas of the country for gaming revenue, and it is possible that the expansion of gaming operations in other states, as a result of changes in laws or otherwise, could significantly reduce gaming revenue in the greater Las Vegas area. This is particularly true of gaming operations in California, a state from which Nevada generally, and Las Vegas in particular, draw substantial year-round visitors. Agreements negotiated between the State of California and certain Indian tribes as well as other proposals currently under consideration in

California may result in substantial additional casinos throughout the state. A dramatic growth in casino gaming in California or other states could have a substantial adverse effect on gaming revenue in Nevada, including the Las Vegas area, which would adversely affect the Las Vegas economy and Community s business.

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Future growth of the greater Las Vegas area is dependent, among other things, on the availability of water, and any restrictions imposed by the government on water consumption could curtail future development, which has been a source of growth in Community s loan portfolio.

Future development in the greater Las Vegas area is subject to the availability of water. According to the Rocky Mountain Institute, Las Vegas has one of the highest per-capita rates of water consumption in the nation. Based upon an August 2003 U.S. Geological Survey, inflows into Lake Mead and Lake Powell on the Colorado River have been below average since the start of a persistent drought in the western United States in 2000. In 2003, Lake Mead, the primary water supply for Las Vegas, dropped to its lowest level in more than three decades. Community cannot assure that governmental officials will not impose building moratoriums, restrictive building requirements, water conservation measures, or other measures to address water shortages in the future. Such restrictions could curtail future development, which has been a source of growth in Community s loan portfolio, or make living conditions less desirable than current conditions, which could reduce the influx of new residents from current levels.

The value of real estate in the greater Las Vegas area is influenced by the distribution policies of the federal Bureau of Land Management. A change in such distribution policies could affect the value of real estate, which, in turn, could negatively affect Community s real estate loan portfolio.

Land values in Nevada are influenced by the amount of land sold by the federal Bureau of Land Management, which controls 67% of Nevada s land, according to the Nevada State Office of the Bureau of Land Management. Changes to the federal Bureau of Land Management distribution policies on Nevada land could adversely affect the value of Nevada real estate.

Community has a high concentration of loans secured by real estate and a downturn in the real estate market, for any reason, could hurt its business and prospects.

At March 31, 2005, 85% of Community s loan portfolio was comprised of loans secured by real estate. Raw land loans, which are included in the categories below, represent approximately 15% of Community s total loans secured by real estate. Of the loans secured by real estate, approximately:

50% are construction and land development loans, including raw land;

44% are commercial real estate loans; and

6% are residential real estate loans.

At March 31, 2005, 68% of Commerce s loan portfolio was comprised of loans secured by real estate. Raw land loans, which are included in the categories below, represent approximately 9% of Commerce s total loans secured by real estate. Of the loans secured by real estate, approximately:

23% are construction and land development loans;

65% are commercial real estate loans, including raw land; and

12% are residential real estate loans.

These real estate-secured loans are concentrated in the greater Las Vegas area. A downturn in the local economy could have a material adverse effect on a borrower s ability to repay these loans due to either loss of borrower s employment or a reduction in borrower s business. Further, such reduction in the local economy could severely impair the value of the real property held as collateral. As a result, the value of real estate collateral securing Community s loans could be reduced. Community s ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and it would be more likely to suffer losses on defaulted loans.

Risks Relating to Community s Business

Community s future success involves both its ability to grow and its ability to manage such growth. Additionally, Community must continue to manage the risks inherent in the banking business. Community may not be able to sustain its historical growth rates, be able to grow at all, or successfully manage any growth, whether or not the greater Las Vegas area economy continues to grow. This could result in a variety of adverse consequences to Community, including the following:

- **Inability to realize any benefit from Community s investment of resources made to support its future growth;**
- **Failure to attract or retain experienced commercial bankers or other key employees;**
- **Inability to maintain adequate controls and systems; and**
- **Failure to comply with applicable federal, state and local laws, rules and regulations.**

Community may not be able to continue its growth at the rate it has enjoyed in the past several years.

Community has grown from $276 million in total assets, $192 million in gross loans and $255 million in total deposits at December 31, 2000, to $574 million in total assets, $403 million in gross loans and $476 million in total deposits at December 31, 2004. Community s business strategy calls for, among other things:

- continued growth of Community s assets, loans, deposits and customer base;
- expansion through acquisition or the establishment of new branches or banks in high growth markets, such as the greater Las Vegas area, or similar high growth markets in Arizona and California;
- recruitment of experienced commercial bankers and other key employees; and
- effective leveraging of Community s capital.

However, Community may encounter unanticipated obstacles in implementing its strategy. If Community is unable to expand its business, as it anticipates based on its strategic plan, Community may not be able to maintain profitability, and there can be no assurance that it will be able to sustain its historical growth rates.

A component of Community s business strategy is to expand into high growth markets by opening new branches or organizing new banks and/or acquisitions of other financial institutions. Community may not be able to successfully implement this part of its business strategy,

and therefore its market value and profitability may suffer.

Growth through acquisitions of banks represents a component of Community s business strategy. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other things:

- difficulty of integrating the operations and personnel of acquired banks and branches;
- potential disruption of Community s ongoing business;
- inability of Community s management to maximize its financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into its product offerings and control systems; and
- inability to maintain uniform standards, controls, procedures and policies and the impairment of relationships with employees and customers as a result of changes in management.

Community cannot assure you that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Community s inability to improve the operating performance of

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acquired banks or to integrate successfully their operations could have a material adverse effect on its business, financial condition, results of operations and cash flows. In addition, Community could incur substantial expenses, including the expenses of integrating the business of the acquired bank with its existing business.

Community expects that competition for appropriate candidates may be significant. Community may compete with other banks or financial service companies with similar acquisition strategies, many of which may be larger or have greater financial and other resources than Community has. The purchase price of banks that might be attractive acquisition candidates for Community may significantly exceed the fair values of their net assets. As a result, material goodwill and other intangible assets would be required to be recorded. Community cannot assure you that it will be able to successfully identify and acquire suitable banks on acceptable terms and conditions.

Depending upon the structure of an acquisition and the consideration we may utilize, Community may not seek your approval as a shareholder. Further, acquisitions may be structured to include cash consideration that may result in the depletion of a substantial portion of Community s available cash.

Besides the acquisition of existing financial institutions, Community may consider the organization of new banks in high growth areas, especially in markets outside of the greater Las Vegas area such as California or Arizona. Except for the recent opening of two loan production offices in San Diego, California, and Phoenix, Arizona, to date Community has not specifically identified any market area where it plans to organize a new bank. Any organization of a new bank carries with it numerous risks, including the following:

- The inability to obtain all required regulatory approvals;
- Significant costs and anticipated operating losses during the application and organizational phases, and the first years of operation of the new bank;
- The inability to secure the services of qualified senior management;
- The local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank; and
- The additional strain on management resources and internal systems and controls.

Community s growth could be hindered unless it is able to recruit additional, qualified employees. Community may have difficulty attracting additional necessary personnel, which may divert resources and limit its ability to successfully expand operations.

The greater Las Vegas area is experiencing a period of rapid growth, placing a premium on highly qualified employees in a number of industries, including the financial services industry. Community s business plan includes, and is dependent upon, hiring and retaining highly qualified and motivated executives and employees at every level, including a chief risk officer, SBA management and support staff, experienced loan originators and branch managers. Community expects to experience substantial competition in its endeavor to identify, hire and retain the top-quality employees. If Community is unable to hire and retain qualified employees in the near term, it may be unable to successfully execute its business strategy and/or be unable to successfully manage its growth.

Community believes that it has built its management team and personnel, and established an infrastructure, to support its current size. Community s future success will depend on the ability of its executives and employees to continue to implement and improve its operational, financial and management controls and processes, reporting systems and procedures, and to manage a growing number of client relationships. Community may not be able to successfully implement improvements to its management information and control systems and control procedures and processes in an efficient or timely manner. In particular, Community s controls and procedures must be able to accommodate an increase in expected loan volume and the infrastructure that comes with new branches.

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Community cannot assure you that its growth strategy will not place a strain on its administrative and operational infrastructure. If Community is unable to locate additional personnel and to manage future expansion in its operations, it may experience compliance and operational issues, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could adversely affect Community s business.

Community s business would be harmed if it lost the services of any of its senior management team.

Community believes that its success to date and prospects for success in the future are substantially dependent on its senior management team, which includes its President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Credit Officer, Executive Vice President for Credit Administration, and Executive Vice President, Director of Operations. The loss of the services of any of these persons could have an adverse effect on Community s business. Community recently entered into employment agreements with its President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. In light of the relatively small pool of persons involved in the greater Las Vegas area banking industry, Community could have difficulty replacing any of its senior management team or senior officers with equally competent persons who are also familiar with Community s market area.

As a new public reporting company Community is subject to significant new laws and regulations that will increase its compliance costs and may strain management resources.

Community is a new public company and, for the first time in its history, the reporting requirements of the Securities Exchange Act of 1934, as amended and the Sarbanes-Oxley Act of 2002, or SOX, and related regulations will be applicable to its operations. Despite doing business in a highly regulated environment, these laws and regulations have vastly different requirements for compliance than Community has previously experienced. Community s expenses related to services rendered by its accountants, legal counsel and consultants will increase in order to ensure compliance with these laws and regulations that it is subject to as a public company. In addition, it is possible that the sudden application of these requirements to Community s business will result in some cultural adjustments and strain management resources.

To date, Community has not completed a comprehensive review and confirmation of the adequacy of its existing systems and controls as will be required under Section 404 of SOX. However, a review is currently underway this year, which may materially increase Community s expenses for the year. In addition, Community may discover deficiencies in existing systems and controls. If that is the case, Community intends to take the necessary steps to correct any deficiencies, and such steps may be costly and may strain its management resources.

There is intense competition in Community s market area, and it cannot assure you that it will be able to successfully compete.

Commercial banking in the greater Las Vegas area is a highly competitive business. Increased competition in Community s market may result in reduced loans and deposits. Community competes for loans and deposits primarily with the local offices of major banks. Community competes with other community banks in its market for customers as well. Community also competes with credit unions, small loan companies, insurance companies, mortgage companies, finance companies, brokerage houses, other financial institutions and out-of-state financial intermediaries, some of which are not subject to the same degree of regulation and restriction as Community and some of which have financial resources greater than Community. Technological advances continue to contribute to greater competition in domestic and international products and services. Ultimately, Community may not be able to compete successfully against current and future competitors.

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Community s allowance for loan losses may not be adequate to cover actual losses particularly given its relatively large individual loan size.

A significant source of risk arises from the possibility that losses could be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. The underwriting and credit monitoring policies that Community has adopted to address this risk may not prevent unexpected losses that could have a material adverse affect on its business. Most of Community s loans, or approximately 85%, are secured by real estate. Community Bank of Nevada s legal lending limit is approximately $13 million. At December 31, 2004, it had 101 loans in excess of $1 million each, totaling $275 million. These loans comprise approximately 10.7% of Community s loan portfolio by number of loans and 68.1% by total loans outstanding. Community s average loan size at December 31, 2004 was approximately $426,000 (excluding credit card, overdraft and purchased participation loans). This relatively large average loan size, while an advantage from a cost generation standpoint, can adversely impact Community if one or more of these larger loans becomes delinquent, unstable, impaired, uncollectible or inadequately collateralized.

Like all financial institutions, Community maintains an allowance for loan losses to provide for loan defaults and non-performance. Community s allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect Community s business. Community s allowance for loan losses is based on its prior experience and peer bank experience, as well as an evaluation of the known risks in the current portfolio, composition and growth of the loan portfolio and economic factors. The determination of the appropriate level of loan loss allowance is an inherently difficult process and is based on numerous assumptions. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond Community s control and these losses may exceed current estimates. Community cannot assure you that it will not increase the allowance for loan losses further or that regulators will not require Community to increase this allowance. Either of these occurrences could adversely affect Community s business and prospects.

Shares available for future sale may dilute value and have possible anti-takeover effect.

Shares of Community common stock eligible for future sale, including issuance in future acquisitions, could dilute the market value of Community common stock. The certificate of incorporation of Community authorized 10,000,000 shares of common stock, of which 6,754,847 shares were outstanding at May 19, 2005.

Community may have opportunities in the future to further develop its franchise, through the acquisition of financial institutions. Such acquisitions may entail the payment by Community of consideration in excess of the book value of the underlying net assets acquired, may result in the issuance of additional shares of Community stock and/or the incurring of indebtedness by Community, and may dilute the per share earnings or book value of Community common stock. Future acquisitions may also result in significant front-end charges against earnings.

The shares of Community common stock were authorized in these amounts to provide Community s Board of Directors with as much flexibility as possible to effect, among other things, additional merger transactions, financings, acquisitions, stock dividends, stock splits and the exercise of employee stock options. However, these additional authorized shares may also be used by the Board of Directors consistent with its fiduciary duty to deter future attempts to gain control of Community.

Community is exposed to risk of environmental liabilities with respect to properties to which it takes title.

About 85% of Community s outstanding loan portfolio at March 31, 2005 was secured by real estate. In the course of Community s business, it may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. Community may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic

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substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if Community is the owner or former owner of a contaminated site, it may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect Community s business, profitability and prospects.

Provisions in Community s articles of incorporation and bylaws may limit the ability of another party to acquire us.

Various provisions of Community s articles of incorporation and by-laws could delay or prevent a third-party from acquiring Community, even if doing so might be beneficial to its shareholders. These provisions provide for, among other things, advance notice for nomination of directors and limitations on the ability of shareholders to call an annual meeting of shareholders, which can make minority shareholder representation on the Board of Directors more difficult to establish.

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THE ANNUAL MEETING

Proxy Statement Prospectus

This proxy statement prospectus is being furnished to you in connection with the solicitations of proxies by our Board of Directors in connection with our annual meetings of shareholders.

This proxy statement prospectus is first being furnished to our shareholders on or about August 3, 2005.

Date, Time and Place of the Annual Meeting

The annual meeting is scheduled to be held as follows:

Date:	August 16, 2005
Time:	5:30 p.m.
Place:	Bank of Commerce s Sahara Branch 7580 W. Sahara, Las Vegas, NV

Record Date; Solicitation of Proxies

We have selected the close of business on August 1, 2005 as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting. At that date, there were 1,069,398 outstanding shares of Commerce common stock entitled to vote at the annual meeting.

In addition to soliciting proxies by mail, our officers, directors and employees, without receiving any additional compensation, may solicit proxies by telephone or fax, in person or by other means. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of our common stock held of record by such persons, and such brokerage firms, custodians, nominees and fiduciaries will be reimbursed for reasonable out-of pocket expenses incurred by them in connection therewith. Community will pay all expenses related to printing and filing this proxy statement prospectus, including all filing fees of the Securities and Exchange Commission.

The required quorum for the transaction of business at the annual meeting is a majority of the shares of our common stock entitled to vote at the annual meeting. Shares voted on a matter are treated as being present for purposes of establishing a quorum. Abstentions and broker nonvotes will be counted for determining a quorum, but will not be counted for purposes of determining the number of votes cast FOR or AGAINST any matter, except the election of directors.

Revocability of Proxies

Any holder of common stock may revoke a proxy at any time before it is voted by

- filing with the secretary of Commerce at 4343 E. Sunset Road, Henderson, Nevada 89014 an instrument revoking the proxy;
- returning a duly executed proxy bearing a later date; or
- attending the annual meeting and voting in person, provided the shareholder notifies the Secretary before voting begins that the shareholder is revoking his or her proxy and voting in person. Attendance at the annual meeting will not by itself constitute revocation of a proxy.

Matters to be Considered at the Meeting

At the annual meeting, you will be asked to vote on the election of directors and to approve the merger and the merger agreement. The 9 director-nominees receiving the most votes will be elected. A vote of not less than a majority of the outstanding shares of Commerce common stock entitled to be cast at the annual meeting is required to approve the merger.

Holders of shares of the common stock are entitled to cast one vote for each share held of record on all matters to be voted on. In connection with the election of directors, shares may be voted cumulatively if a shareholder gives written notice to the president or secretary of Commerce at least 48 hours prior to the annual meeting of his or her intention to vote cumulatively.

Community shareholders are not required under applicable law and regulation to vote on the merger.

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PROPOSAL 1

ELECTION OF DIRECTORS

Nominees

Commerce s Bylaws and Articles of Incorporation have been amended to provide that the number of directors of Commerce shall not be less than five (5) nor more than nine (9) until changed by an amendment to the Bylaws or Articles of Incorporation adopted by Commerce s shareholders.

The persons named below, all of whom are currently members of the Board of Directors, have been nominated for election as directors to serve until the 2006 Annual Meeting of Shareholders and until their successors are elected and have qualified or until the consummation of the merger discussed in Proposal 2. Votes of the proxy-holders will be cast in such a manner as to effect the election of all nine (9) nominees, as appropriate, (or as many thereof as possible). The nine nominees for directors receiving the most votes will be elected directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the Proxy will be voted for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected.

The following table sets forth the names of, and certain information concerning, the persons nominated by the Board of Directors for election as directors of Commerce.

Name and Title Other than Director	Age	Year First Appointed Director	Principal Occupation During the Past Five Years
Charles W. Deaner	82	1997	Attorney and Vice President of the law firm of Deaner, Deaner, Scann, Malan and Larsen.
Nancy C. Houssels	70	1999	Chairman of the Board of Nevada Ballet Theatre and member of many other volunteer boards.
Donald G. Newnan	76	1999	Retired. Former President of Engineering Press, Inc. and Tech Publishing Corp. Former Professor and Dean of Engineering, San Jose State University.
Richard M. Robinson Chairman, President and CEO	65	1999	Chairman of the Board, President and CEO of Commerce. Former Regional Vice President of Wells Fargo Bank of Nevada and Vice President of First Interstate Bank.
Keith V. Thomas	58	1997	Former President and Chairman of the Board of U.S. Savings Bank and former Senior Vice President of American Federal Savings Bank.
C.H. Wong	55	1997	President of C.H. Wong Insurance Agency.
Jack M. Woodcock	61	1997	Real Estate Broker and owner-broker of Prudential Americana Group, REALTORS®
Frances M. Sponer	59	2000	President, founder and CEO of the AscentrA Corporate system. The group includes eleven health related entities.
Steven Nielsen	31	2002	Vice President of Yamagata Enterprises, Inc.

There are no family relationships between any of the directors and executive officers of the Bank. Mr. Nielsen s appointment to Commerce s Board of Directors is pursuant to an arrangement between Mr. Nielsen and Mr. Yamagata, a principal shareholder of Commerce.

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Executive Officers of Commerce

The following table sets forth certain information, as of June 1, 2005, with respect to those persons who are executive officers of Commerce:

Name and Title	Age	Year First Appointed	Principal Occupation During the Past Five Years
Richard M. Robinson Chairman/President/ Chief Executive Officer	65	1999	Chairman of the Board, President and CEO of Commerce. Former Regional Vice President of Wells Fargo Bank of Nevada and Vice President of First Interstate Bank.
Robin Panek Executive Vice President/ Chief Financial Officer/ Corporate Secretary	49	1999	Executive Vice President, Chief Financial Officer, Corporate Secretary and Treasurer of Commerce. Former Senior Vice President of Commercial Bank of Nevada and Vice President and Controller of First National Bank of Central California.
Wilfredo Reyes Senior Vice President/Chief Operating Officer	55	1999	Senior Vice President, Chief Operating Officer, CRA Officer, BSA Officer and Security Officer of Commerce. Former Assistant Vice President of First Interstate Bank/Wells Fargo Bank.
Ken Mundt Senior Vice President/Chief Credit Officer	45	1999	Senior Vice President/Chief Credit Officer of Commerce since 2002. Mr. Mundt was previously the Senior Vice President/Senior Lender of Commerce from 1999 to 2002.

Commerce s Board of Directors and Committees. Commerce s Board of Directors met eleven (11) times in 2004. All of Commerce directors attended 75% or more of Commerce Directors meetings.

The full Board of Directors of Commerce acts as the Nominating Committee that nominates officers and directors of Commerce for election.

Compensation of Directors and Executive Officers

Director Compensation. With the exception of Richard M. Robinson, Chairman/President/CEO, directors received director fees of $250 per board meeting attended and $250 per committee meeting attended.

Executive Compensation. The following table sets forth a summary of certain information concerning compensation awarded to or paid by Commerce for services rendered in all capacities during the last three fiscal years to the Chief Executive Officer and executive officers earning $100,000 or more in salary and bonus, or named executive officers, during fiscal year 2004. No options were granted to executive officers in 2004.

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Summary Compensation Table

					Long Term Compensation			
Annual Compensation					Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Restricted Stock Award(s) ($)	Securities Underlying Options/ SARs	LTIP Payouts ($)	All Other Compen-sation ($)
Richard M. Robinson	2004	$ 163,800	$ 33,000	$ 9,000				$ 4,914
	2003	$ 163,800		$ 9,000		21,000		$ 4,914
Chairman/President and Chief Executive Officer	2002	$ 163,800		$ 9,000				$ 4,914
Robin Panek	2004	$ 93,000	$ 18,000					$ 2,700
	2003	$ 90,000				10,000		$ 2,550
Executive Vice President, and Chief Financial Officer	2002	$ 90,000						$ 2,835

Option/SAR Exercises and Year-End Value Table. The following table sets forth certain information concerning exercises of stock options under Commerce s stock option plan by the named executive officers during the year ended December 31, 2004 and stock options held at year end:

Option/SAR Exercises and Year End Value Table

Aggregated Option/SAR Exercises in Last Fiscal Year and Year End Option/SAR Value

(a)	(b)	(c)	(d)	(e)
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Unexercised Options/SARs at Year End (#) Exercisable/	Value of Unexercised In-the-Money Options/SARs at Year End ($)

		Unexercisable	Exercisable/ Unexercisable (1)
Richard M. Robinson	N/A	91,100/12,600	$524,721/$45,486
Robin Panek	N/A	36,000/6,000	$205,960/$21,660

(1) The aggregate value has been based upon an estimated fair value of Commerce common stock of $17.11 per share as of December 31, 2004, minus the respective exercise price.

Certain Transactions

Some of the directors and executive officers of Commerce and their immediate families, as well as the companies with which they are associated, are customers of, or have had banking transactions with Commerce in the ordinary course of Commerce s business, and Commerce expects to have banking transactions with such persons in the future. In management s opinion, all loans and commitments to lend in such transactions were made in compliance with applicable laws and on substantially the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness and in the opinion of management did not involve more than a normal risk of collectibility or present other unfavorable features. In addition, Mr. C.H. Wong, a director of Commerce, through his insurance agency has sold insurance to Commerce. The total amount of premiums for insurance sold to Commerce by Mr. Wong s insurance agency in 2004 was $67,040, and in 2003 was $58,692. Commerce also sold participating interests in loans to Mr. Newnan, a director of Commerce. The principal amount of the participating interests totaled $1,700,000 in 2004 and $1,590,000 in 2003. In addition, Commerce sold participating interests in loans to Ms. Sponer, a director of Commerce, in 2003 totaling $700,000.

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Voting Securities and Principal Holders Thereof

Management of Commerce knows of no person who owns, beneficially or of record, either individually, or together with associates, 5 percent or more of the outstanding shares of Commerce s stock, except as set forth in the table below. The following table sets forth, as of June 1, 2005, the number and percentage of shares of outstanding Commerce common stock beneficially owned, directly or indirectly, by each of Commerce s directors and by the directors and executive officers of Commerce as a group. The shares beneficially owned are determined under Securities and Exchange Commission Rules and include shares acquirable by the exercise of options within 60 days of June 1, 2005, and the shares beneficially owned do not necessarily indicate ownership for any other purpose.

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Directors and Officers:		
Charles W. Deaner	16,300(1)	1.5%
Nancy C. Houssels	13,300(1)	1.2%
Donald G. Newnan	107,800(2)	10.0%
Steven Nielsen	1,600(3)	*
Richard M. Robinson	100,300(4)	8.6%
Frances Sponer	108,158(5)	10.1%
Keith V. Thomas	16,300(1)	1.5%
C.H. Wong	15,538(1)	1.4%
Jack M. Woodcock	50,993(1)	4.8%
Wilfred Reyes	39,000	3.5%
Ken Mundt	6,200	*
Robin Panek	39,000	3.5%
Total for Directors and Executive Officers	514,489(6)	40.5%
Principal Shareholders:		
Patrick W. Hopper	106,385(7)	9.9%
Gene H. Yamagata	93,076(8)	8.7%
Dave Belding	75,000(9)	7.0%
Triple Five of Minnesota, Inc.	50,000(10)	4.7%
Triple Five Nevada	34,615(11)	3.2%

* less than 1%

(1) Includes 3,300 shares acquirable by exercise of stock options.

(2) Includes 3,300 shares acquirable by exercise of stock options. Mr. Newnan s address is c/o Bank of Commerce, 4343 E. Sunset Road, Henderson, Nevada 89014.

(3) Includes 600 shares acquirable by exercise of stock options.

(4) Includes 95,300 shares acquirable by exercise of stock options. Mr. Robinson s address is c/o Bank of Commerce, 4343 E. Sunset Road, Henderson, Nevada 89014.

(5) Includes 1,800 shares acquirable by exercise of stock options. Ms. Sponer s address is c/o Bank of Commerce, 4343 E. Sunset Road, Henderson, Nevada 89014.

(6) Includes 199,700 shares acquirable by exercise of stock options.

(7) Mr. Hopper s address is 2624 Pebblegold Avenue, Henderson, Nevada 89014.

(8) Mr. Yamagata s address is 5132 Spanish Heights Drive, Las Vegas, Nevada 89148.

(9) Mr. Belding s address is c/o Mandalay Bay, 3950 Las Vegas Blvd. S. Las Vegas, NV 89109.

(10) Triple Five of Minnesota Inc. s address is 9510 W. Sahara Ave., Suite 200, Las Vegas, Nevada 89117.

(11) Triple Five of Nevada s address is 9510 W. Sahara Avenue, Suite 200, Las Vegas, Nevada 89117.

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PROPOSAL 2

THE MERGER

General

As used in this section, the term the merger means the merger of Commerce with and into Community Bank of Nevada. The merger is governed by the Agreement to Merge and Plan of Reorganization dated as of May 19, 2005 (the merger agreement). Shareholders of Commerce will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Commerce.

This section of the proxy statement prospectus describes certain aspects of the merger, including the background of the merger and Commerce s reasons for the merger.

Background of the Merger

Commerce, headquartered in Henderson, Nevada has been providing banking services to individuals and small to medium-sized businesses in Southern Nevada since 1999.

During the past year, several financial institutions have expressed interest in acquiring Commerce, though none at a price and upon terms the board felt compelled to pursue. However, the board and senior management determined that Commerce would and should be receptive to offers that would maximize shareholder value consistent with its fiduciary duties while at the same time continuing to build a successful and profitable banking franchise.

On two occasions in 2004 Community approached Commerce about a possible merger transaction. Community and Commerce again discussed the opportunity of a merger on January 19, 2005, when Edward M. Jamison, President and Chief Executive Officer of Community, met with Richard Robinson, Chairman and Chief Executive Officer of Commerce, to discuss Community s interest in acquiring Commerce. Mr. Robinson indicated he would share Community s interest with the Board. Community formally engaged the investment banking firm of Keefe, Bruyette and Woods (KBW) on January 24, 2005 to continue to provide advice and assist with a potential transaction including modeling the transaction to determine an appropriate and fair price to be paid to Commerce.

On January 19, 2005, Mr. Robinson suggested to Mr. Jamison that Community prepare a proposal in writing. Community sent an initial proposal dated January 28, 2005 to Mr. Robinson with a proposed price of $30.00 per share, subject to a full due diligence review. The letter proposed a 70% stock and 30% cash consideration mix and an expiration date of February 2, 2005. Mr. Robinson called Mr. Jamison back and asked for a little more time due to a current FDIC examination of Commerce. Mr. Jamison granted Mr. Robinson a few more days in order to allow the FDIC to finish its examination and report their results back to the Commerce Board. On February 10, 2005, Mr. Robinson called Mr. Jamison to counter the initial offer. Commerce requested $33.00 per share and a consideration mix of 50% stock and 50% cash. On February 24, 2005, based upon new information provided by Commerce including a 2005 budget, Mr. Jamison delivered a new proposal in writing, agreeing to the

$33.00 per share and the 50/50 consideration mix. The new proposal also included some limitations on Commerce s transaction expenses, as well as the settlement of two legal matters. Over the next week, Commerce s attorney negotiated some of the details in the proposal letter with KBW and Community s attorneys. The final proposal letter, which was subject to further due diligence review, and included a Confidentiality and Non-Disclosure Agreement was signed March 3, 2005.

Shortly thereafter, the parties exchanged financial information. On March 15, 2005, Community commenced its onsite due diligence reviewing loan files, examination reports, Board and committee minutes and other financial information. KBW performed its onsite due diligence on March 18, 2005. Over the span of a month and half, Commerce and Community negotiated the definitive agreement while Commerce separately

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negotiated with two individuals who had filed lawsuits against Commerce. As a condition to enter into a definitive agreement, Commerce agreed to settle with the two individuals.

Following the settlement of the two lawsuits, Community s Board of Directors approved the signing of the definitive agreement on May 12, 2005 and Commerce s Board of Directors approved the signing of the definitive agreement on May 17, 2005. The definitive merger agreement was signed on May 19, 2005, at which time a press release was issued announcing the transaction.

Recommendation of, and Factors Considered by, Commerce s Board of Directors

The Commerce Board believes that the terms of the merger are fair, and are in the best interests of Commerce and it shareholders and recommends that the shareholders of Commerce vote FOR approval of the merger.

At a meeting of Commerce s Board of Directors on May 17, 2005, after due consideration, the Board:

- determined that the merger agreement and the merger are fair and in the bests interest of Commerce and its shareholders; and
- approved the merger agreement.

In reaching its conclusion to proceed with the merger, Commerce s Board of Directors considered information and advice from several specialists, including investment bankers and legal advisors. All material factors considered by Commerce s Board of Directors have been disclosed. In approving the merger agreement, the Board of Directors considered a number of factors, including the following, without assigning any specific or relative weights to the factors:

- The consideration provided for in the merger agreement represents fair consideration.
- The terms of the merger agreement and other documents to be executed in connection with the merger, including the closing conditions and termination rights, are fair.
- The capital of the consolidated institution will provide a better opportunity to expand and leverage the overall expense structure of the consolidated company.
- The current and prospective economic environment and increasing regulatory and competitive burdens and constraints facing financial institutions generally.
- The consolidation occurring in the banking industry and the increased competition from other financial institutions in Nevada.

The similarity of cultures and other attributes of Commerce and Community.

The liquidity of Community common stock.

The opportunity for Commerce shareholders to participate in the potential future growth in value of the combined company as Community shareholders following the merger.

The Board of director s review, with its legal and financial advisors, of alternatives to the merger, the range and possible value to Commerce s shareholders obtainable through such alternatives and the timing and likelihood of the alternative.

Presentations by members of Commerce s senior management.

The expertise of Community s management, its competitive position in the geographic markets and the proximity and overlap of the geographic markets served by Community and Commerce.

The capacities of Community and Commerce for enhanced operating efficiencies.

The financial analysis and presentation of Commerce s investment banking firm and its opinion that the consideration to be received is fair, from a financial point of view, to Commerce s shareholders.

The terms and conditions of the merger agreement, including the fact that the exchange ratio is fixed by a specified collar.

The Commerce Board of Directors also identified and considered a number of risks and uncertainties in its deliberations concerning the merger, including the following:

The possible disruption to Commerce s business that may result from the announcement of the transaction and the resulting distraction of its management s attention from the day-to-day operations of Commerce s business.

The difficulty inherent in integrating two businesses and the risk that the cost efficiencies, synergies and other benefits expected to be obtained in the transaction may not be fully realized.

The restrictions contained in the merger agreement on the operation of Commerce s business during the period between the signing of the merger agreement and completion of the merger.

The termination fee to be paid to Community if the merger agreement is terminated under certain circumstances.

The possibility that the merger might not be completed and the effect of the resulting public announcement of termination of the merger agreement on, among other things, Commerce s operating results, particularly in light of the costs incurred in connection with the transaction.

We do not intend the foregoing discussion of the factors considered by the Board of Directors of Commerce to be exhaustive, but we do believe it includes the material factors considered. The Board of Directors of Commerce did not attempt to analyze the fairness of the exchange ratio in isolation from its consideration of the businesses of Commerce and Community, the strategic merits of the merger or the other considerations referred to above.

Fairness Opinion

Commerce s Board of Directors retained Hoefer & Arnett, Incorporated to render a fairness opinion because Hoefer & Arnett is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with Commerce and its business. The firm is a member of the National Association of Securities Dealers (NASD) with direct access to inter-dealer markets in NASD Automated Quotation (NASDAQ) and Over-the-Counter (OTC) securities, and makes markets in securities under its symbol HOFR. As part of its investment banking activities, Hoefer & Arnett is regularly engaged in the independent valuation of financial institutions and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

Hoefer & Arnett rendered to the Board of Directors of Commerce an oral opinion on May 17, 2005 that the transaction was fair from a financial standpoint. On May 19, 2005 the parties entered into the merger agreement. Hoefer & Arnett confirmed its oral opinion by delivery of its written opinion, that pursuant to the terms of the merger agreement and subject to various assumptions, matters considered and limitations described therein, the terms of the proposed merger of Commerce with and into Community Bank of Nevada, a subsidiary of Community are fair, from a financial point of view, to the shareholders of Commerce. A copy of Hoefer & Arnett s opinion dated as of the date of this proxy is attached as Appendix B to this proxy statement and should be read in its entirety.

No limitations were imposed by Commerce s Board of Directors upon Hoefer & Arnett with respect to the investigations made or procedures followed in rendering its opinion. Hoefer & Arnett s fairness opinion is based on the financial analysis described below. Hoefer & Arnett s fairness opinion is for the use and benefit of

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Commerce s Board of Directors in connection with its consideration of the proposed transaction. Hoefer & Arnett s fairness opinion is not intended to be and does not constitute a recommendation to any Commerce shareholder as to how such shareholder should vote with respect to the proposed transaction. Hoefer & Arnett s fairness opinion does not address Commerce s underlying business decision to proceed with the proposed transaction.

In arriving at its opinion, Hoefer & Arnett reviewed and analyzed, among other things, the following:

- the merger agreement;
- quarterly Reports of Condition and Income of Commerce for the quarters ended March 31, 2005, December 31, 2004, September 30, 2004, June 30, 2004 and March 31, 2004;
- the annual report on Form 10-K of Community for the year ended December 31, 2004; the quarterly report on Form 10-Q of Community for the quarter ended March 31, 2005 and Community s quarterly Consolidated Financial Statements for Bank Holding Companies for the quarters ended, December 31, 2004, September 30, 2004, June 30, 2004 and March 31, 2004;
- certain other information relating to Commerce, including financial forecasts provided to Hoefer & Arnett or discussed with Hoefer & Arnett by Commerce during meetings with the management of Commerce to discuss past and current operations, financial condition and prospects, as well as the results of regulatory examinations;
- the publicly reported historical prices and trading activity for Community stock;
- the nature and financial terms of certain other merger and acquisition transactions involving banks and bank holding companies.
- certain other information, financial studies, analyses and investigations and financial, economic and market criteria which Hoefer & Arnett deemed relevant.

In conducting its review and in rendering its opinion, Hoefer & Arnett relied upon and assumed the accuracy and completeness of the financial and other information provided to it or publicly available, and did not attempt to independently verify the same. Hoefer & Arnett relied upon the management of Commerce as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefor) provided to it, and Hoefer & Arnett assumed that such forecasts and projections reflect the best currently available estimates and judgments of Commerce management.

Commerce does not publicly disclose internal management forecasts, projections or estimates of the type furnished to Hoefer & Arnett in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of Commerce, including without limitation to, the general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

Hoefer & Arnett did not make or obtain any evaluations or appraisals of the assets or liabilities of Commerce or Community. Hoefer & Arnett is not an expert in the valuation of allowances for loan losses and it did not make an independent evaluation of the adequacy of the allowance for loan losses of either Commerce or Community, nor did it did it review any individual loan credit files. Hoefer & Arnett assumed that the aggregate allowance for loan losses set forth in the financial statements of Commerce and Community is adequate to cover such losses. For purposes of its opinion, Hoefer & Arnett assumed that the merger would have the tax, accounting and legal effects described in the merger agreement. Hoefer & Arnett s opinion as expressed herein is limited to the fairness, from a financial point of view, to the shareholders of Commerce with respect to the terms of the proposed merger of Commerce with and into Community Bank of Nevada, a subsidiary of Community.

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The opinion expressed by Hoefer & Arnett was based upon market, economic and other relevant considerations as they existed and have been evaluated as of the date of the opinion and the information made available to it through that date. Events occurring after the date of issuance of the opinion, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of Commerce or Community could materially affect the assumptions used in preparing the opinion. Hoefer & Arnett assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived.

The following is a summary of the material financial analyses performed by Hoefer & Arnett in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Hoefer & Arnett. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. Hoefer & Arnett believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In its analyses, Hoefer & Arnett made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Commerce, Community and Hoefer & Arnett. Any estimates contained in Hoefer & Arnett s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

Summary of Proposal. Hoefer & Arnett reviewed the financial terms of the proposed transaction. Based on per share consideration of $33.00, 1,069,398 shares of Commerce common stock outstanding and 222,100 Commerce options outstanding with a weighted average exercise price of $11.764, the aggregate transaction value for Commerce shareholders equals $40,006,634.

Transaction Value	$ 40,006,634
Transaction Value to March 31, 2005 Book Value	2.66x
Transaction Value to March 31, 2005 Tangible Book Value	2.66x
Transaction Value to 2004 Earnings	29.92x
Transaction Value to March 31, 2005 Assets	23.89%
Premium on March 31, 2005 Core Deposits	20.00%

Analysis of Selected Bank Merger Transactions. Hoefer & Arnett reviewed 27 commercial bank transactions announced between January 1, 2004 and June 17, 2005 in which the acquired banking organization was located in Arizona, California or Nevada (the Regional Transactions). Hoefer & Arnett compared financial performance ratios at Commerce with financial performance ratios of the banking organizations making up the Regional Transactions.

The following table compares selected performance and financial ratios of Commerce at March 31, 2005 with the median ratios for the Regional Transactions:

	Commerce	Regional Transactions
Total Assets	$ 167.5 million	$ 138.4 million
Return on Assets	1.22%	0.87%
Return on Equity	13.54%	11.35%
Equity to Assets	8.96%	8.54%

NPAs to Assets	0.22%	0.13%

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Hoefer & Arnett reviewed the multiples of transaction value to stated book value, transaction value to tangible book, transaction value to 2004 earnings, transaction value to assets and tangible book premium to core deposits and calculated high, low, mean and median multiples for the Regional Transactions. The median multiples were then applied to Commerce s balance sheet information as of March 31, 2005 and 2004 earnings to derive an imputed range of values per share of Commerce s common stock. The following table sets forth the median multiples as well as the imputed values based upon those median multiples.

	Regional Median Multiple	Implied Value
Transaction Value/Book Value	2.58x	$ 38,730,960
Transaction Value/Tangible Book Value	2.68x	$ 40,232,160
Transaction Value/2004 Earnings	24.40x	$ 32,622,800
Transaction Value/Assets	22.07%	$ 36,965,705
Tangible Premium/Core Deposits	20.02%	$ 40,031,194

As illustrated in the above table, Hoefer & Arnett derived a range of imputed values of $32,622,800 to $40,232,160, based upon the median multiples for the Regional Transactions.

Present Value Analysis. Hoefer & Arnett calculated the present value of theoretical future earnings of Commerce and compared the transaction value to the calculated present value of Commerce s stock on a stand-alone basis. Based on projected earnings for Commerce for 2005 through 2009, discount rates ranging from 10% to 14%, and including a residual value, the stand-alone present value of Commerce s stock ranged from $27,565,747 to $39,868,376.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Hoefer & Arnett estimated the net present value of the future streams of after-tax cash flow that Commerce could produce to benefit a potential acquiror, referred to as dividendable net income, and added a terminal value. Based on projected earnings for Commerce for 2005 through 2009, Hoefer & Arnett calculated assumed after-tax distributions to a potential acquiror such that its tier 1 leverage ratio would be maintained at 7.00%. The terminal values for Commerce were calculated based on Commerce s projected 2009 equity and earnings, the median price to book and price to earnings multiples paid in the Regional Transactions and utilized a discount rate of 12%. This discounted cash flow analysis indicated implied values of $40,345,110 and $66,992,061.

Stock Trading History. Hoefer & Arnett reviewed the closing per share market prices and volumes for Community common stock, which is listed for trading on NASDAQ, on a daily basis from January 3, 2005 to June 17, 2005. For the period between January 3, 2005 and June 17, 2005, the average daily trading volume for Community was 31,259 shares. From January 3, 2005 to June 17, 2005, the low price was $23.35 per share, the high price was $30.90 per share, the average closing price for the period was $27.05 and the closing price on June 17, 2005 was $30.83 per share.

Hoefer & Arnett compared the stock price performance for Community to movements in certain stock indices, including the Standard & Poor s 500 Index, the Nasdaq Bank Index and the median performance of publicly traded banking organizations located in the West. During the period between January 3, 2005 and June 17, 2005, Commerce s common stock outperformed each of the indices to which it was compared (Source: SNL Financial).

	Beginning Index Value January 3, 2005	Ending Index Value June 17, 2005

Community	100.00%	103.46%
Western Banks	100.00%	98.69%
Nasdaq Bank Index	100.00%	94.91%
S&P 500 Index	100.00%	101.24%

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Hoefer & Arnett has not previously provided investment banking and financial advisory services to Commerce or Community. Hoefer & Arnett provides a full range of financial advisory and securities services and, in the course of its normal trading activities, may effect transactions and hold securities of Community for its own account and for the accounts of customers.

In its engagement letter, dated April 15, 2005, Commerce agreed to pay Hoefer & Arnett a fee of $15,000 in connection with Hoefer & Arnett s rendering its opinion. In addition, Commerce has agreed to indemnify Hoefer & Arnett against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws.

Consideration to be paid to Commerce Shareholders

Upon completion of the merger, each issued and outstanding share of Commerce, other than shares as to which dissenters rights are perfected, will be converted, at the election of the holder, and subject to the proration provisions of the merger agreement, into (i) $33.00 in cash, or (ii) $33.00 worth of Community common stock. An exchange ratio will be used to determine how many shares of Community common stock will be exchanged for each share of Commerce common stock. The exchange ratio will equal $33.00 divided by the average closing price for Community common stock during the 20 trading days ending on the third trading day immediately before the effective day of the merger. Any resulting fractional share will be paid in cash.

The $33.00 in value is subject to downward adjustment in the event Commerce s legal, financial advisor, and other advisors fees (except for accounting fees) related to the merger exceed $200,000. If such expenses exceed $200,000, the amount of such excess on a per share basis will be deducted from $33.00. Further, if the average closing price of Community common stock is less than $24.00, Community will have the right to terminate the merger agreement, subject to Commerce s right to reinstate the merger agreement at a fixed exchange ratio of 1.375. See page , The Merger Agreement.

For additional information on the historical market prices of Community and Commerce common stock please see INFORMATION ABOUT COMMUNITY AND COMMUNITY BANK OF NEVADA Market for Community s Common Equity and Related Stockholder Matters on page , and INFORMATION ABOUT COMMERCE Market for Commerce s Common Equity on page .

Election Procedure

In order to make a valid election, a shareholder of Commerce must complete a form transmittal letter that will be mailed by Community s exchange agent, Computershare, upon the closing of the merger to each holder of record of Commerce common stock as of the closing. Such transmittal letter will allow holders of Commerce stock to select shares of Community common stock, cash or a combination of the foregoing. If you do not make a valid and timely election, you will receive whatever form of consideration (Community common shares or cash) as may be necessary to satisfy the proration provisions discussed below.

PLEASE RETAIN THIS PROXY STATEMENT PROSPECTUS, SINCE IT WILL BE OF ASSISTANCE IN MAKING YOUR ELECTION.

A valid election will be properly made and effective only if the exchange agent actually receives a properly completed letter of transmittal by 5:00 p.m. on or before the 30th day after the letter of transmittal is first mailed. A letter of transmittal will be deemed properly completed only if an election is indicated for each share of Commerce common stock and accompanied by one or more certificates, or customary affidavits and indemnity for lost certificates, representing all shares of Commerce common stock covered by such letter of transmittal. An election may be revoked or changed at any time prior to the election deadline.

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COMMERCE SHAREHOLDERS SHOULD NOT SEND IN THEIR STOCK CERTIFICATES

UNTIL THEY RECEIVE THE ELECTION FORMS AND INSTRUCTIONS FROM

THE EXCHANGE AGENT.

The number of Commerce shares with respect to which a stock or cash or combination election is effective may be reduced under certain circumstances. By the terms of the merger agreement, 50% of the total consideration in the merger must be Community shares.

If, after taking into account all valid stock elections, less than 50% of the total consideration would be Community shares, the exchange agent will deliver Community stock instead of cash first to shareholders who failed to make a valid election and then, if necessary, to Commerce shareholders even though they made a valid cash election. As a result, the Commerce shareholders that made a valid cash election could be subject to a proration process which will result in the holder receiving a different mix of consideration than originally requested.

On the other hand, if after taking into account all valid stock elections, more than 50% of the total consideration would be Community shares, the exchange agent will deliver cash instead of Community shares first to shareholders who failed to make a valid election and then, if necessary, to Commerce shareholders even though they made a valid stock election. As a result, the Commerce shareholders that made a valid stock election will be subject to a proration process which will result in the holder receiving a different mix of consideration than originally requested.

For details on the proration provisions, please refer to the merger agreement, attached as Appendix A to this proxy statement prospectus.

Because the election will take place after the close of the merger, a minimum of forty-five days will pass between the close of the merger and your receipt of either cash, Community shares, or some combination for your shares of Commerce stock. If you are receiving Community shares, you will not be able to trade either Community or Commerce shares during this period since the election and allocation process will not have been completed. Further, the exchange ratio will be fixed prior to the closing of the merger, and changes in the share price of Community common stock that occur after the closing will not be reflected in that exchange ratio.

As soon as practicable following the end of the election period, and after the proration procedures described above are completed, each holder of Commerce common stock who submitted a properly completed letter of transmittal will be issued a certificate representing the number of shares of Community common stock to which such holder is entitled, if any (and, if applicable, a check for the amount to be paid in lieu of fractional shares of Community common stock), and/or an amount of cash to which such holder is entitled, if any.

Surrender of Commerce Stock Certificates After the Merger

Holders of Commerce common stock who do not submit a letter of transmittal prior to the election deadline must nevertheless submit a properly completed letter of transmittal (other than the section pertaining to the election) and the certificate representing Commerce common stock to the exchange agent in order to receive your consideration.

No dividends or other distributions that are declared on Community common stock will be paid to persons otherwise entitled to receive the same until the Commerce certificates for their shares have been surrendered in exchange for the Community certificates, but upon such surrender, such dividends or other distributions, from and after the effective time of the merger, will be paid to such persons in accordance with the terms of Community common stock. No interest will be paid to the Commerce shareholders on the cash or the Community common stock into which their shares of Commerce common stock will be exchanged.

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Holders of Options for Commerce Common Stock

The holders of options for Commerce common stock who do not exercise their options prior to the close of the merger will be afforded an election process similar to holders of Commerce common stock. For each share of Commerce common stock that an option holder has the right to purchase, such option holder may elect to receive (net of any applicable withholding taxes) either (i) $33.00, less the exercise price of their option in cash, or (ii) $33.00, less the exercise price of their option, worth of Community common stock. The exchange and allocation provisions applicable to Commerce stockholders will apply to Commerce option holders, taking into consideration any applicable withholding taxes. The holders of options for Commerce common stock who do not exercise their options prior to the close of the merger, and who receive either cash or Community common stock for their options, may, for federal income tax purposes, have the gross value of the cash or Community common stock received, less the exercise price of the options, taxed as ordinary income. The holders of options for Commerce common stock who exercise their options prior to the close of the merger should refer to Material Federal Income Tax Consequences section of this proxy statement-prospectus.

The foregoing discussion of the federal income tax consequences of the cancelled options for Commerce common stock is not intended to be a complete analysis or description of all potential federal income tax consequences of the property received for the cancelled options. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any tax or any foreign, state or local tax consequences of the option holder. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular federal, state or foreign income or other tax consequences to you of the canceling of your options for Commerce common stock. For a discussion of some other tax issues associated with the merger, please see Material Federal Income Tax Consequences.

Regulatory Approvals Required

Bank holding companies, such as Community, and banks, such as Community Bank of Nevada and Commerce, are heavily regulated institutions with numerous federal and state laws and regulations governing their activities. Among these laws and regulations are requirements of prior approval by applicable government regulatory authorities in connection with acquisition and merger transactions such as the merger. In addition, these institutions are subject to ongoing supervision, regulation and periodic examination by various federal and state financial institution regulatory agencies.

Consummation of the merger is subject to various conditions, including, among others, receipt of the prior approvals of the Nevada Division of Financial Institutions and the Board of Governors of the Federal Reserve System.

The merger agreement provides that the obligations of the parties to consummate the merger are conditioned upon all regulatory approvals having been granted by October 31, 2005, without the imposition of conditions which, in the opinion of Community, would materially adversely affect the financial condition or operations of any party or otherwise be burdensome.

Applications for regulatory review and approval of the merger and the related transactions has been filed with the Nevada Division of Financial Institutions and with the Board of Governors of the Federal Reserve System pursuant to the Federal Bank Merger Act. Community has received approval from the Federal Reserve. Community also filed a request for an exemption with the Board of Governors of the Federal Reserve System from the applicable application provisions of the Bank Holding Company Act. The Federal Reserve has recently confirmed that no application pursuant to the Bank Holding Company Act will be required in connection with the merger. There can be no assurance that the Division of Financial Institutions and the Federal Reserve will approve or take other required action with respect to the merger and the related transactions or as to the date of such approvals or action.

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Management and Operations after the Merger

Management. The directors and the principal executive officers of Community and Community Bank of Nevada immediately prior to the effective time of the merger will continue as the directors and the principal executive officers following the merger. Richard Robinson, the President and Chief Executive Officer of Commerce will enter into a one year employment agreement with Community to serve as Executive Vice President of Community Bank of Nevada.

Operations. Although we cannot assure you that any specific level of cost savings will be achieved, Community currently expects cost reductions attributable to the merger to approximate $336 thousand for the remainder of 2005 and $1.77 million for the calendar year 2006.

It is also estimated that one-time, merger-related restructuring charges will total approximately $700 thousand. Approximately $250 thousand of the total pre-tax charges will relate to severance and benefits of displaced employees, $450 thousand to investment banking fees, attorneys fee, accountants charges and filing fees. Community expects the transaction to be accretive to earnings in 2005 and 2006.

In addition to the above transaction costs, Community expects to incur integration costs of approximately $425 thousand before taxes (approximately $280 thousand after taxes). These estimated costs are primarily comprised of information technology conversion costs and upgrades and branch improvements. These amounts are not reflected in the pro forma combined statements of operations. Such costs will be included in Community reported results of operations subsequent to the closing date of the merger.

This information should be read in conjunction with the historical consolidated financial statements of Commerce and Community, including the respective notes thereto, attached to this proxy statement prospectus or incorporated herein by reference, and in conjunction with the combined condensed historical selected financial data and other pro forma combined financial information appearing elsewhere in this proxy statement prospectus.

The statements contained in this section constitute forward looking statements. Actual results, which are dependent on a number of factors, many of which are beyond the control of Community and Commerce, may differ materially. See FORWARD LOOKING STATEMENTS. The cost savings and restructuring charges reflected above and in this proxy statement prospectus may not be indicative of the results that may be achieved in the future. Assuming consummation of the merger, the actual cost savings and restructuring charges that may be realized in the merger may differ, perhaps significantly, from the amounts described above and elsewhere in this proxy statement prospectus.

Nasdaq Listing

The shares of Community common stock to be issued in the merger will be listed on the Nasdaq National Market.

Resales of Community Common Stock

The shares of Community common stock to be issued to shareholders of Commerce in the merger have been registered under the Securities Act of 1933. Such shares will be freely transferable under such Act, except for shares issued to any person who may be deemed to be an affiliate of Commerce within the meaning of Rule 145 under the Securities Act of 1933.

Material Federal Income Tax Consequences

In the opinion of Santoro, Driggs, Walch, Kearney, Johnson & Thompson counsel to Community, the following are the material federal income tax consequences of the merger for Commerce and its shareholders. This discussion relies upon certain representations made by Community, Community Bank of Nevada and

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Commerce, and is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to United States residents and citizens that hold their Commerce shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to a particular shareholder or to a shareholder that is subject to special treatment under U.S. federal income tax laws. An opinion of legal counsel is not binding on the IRS or the courts, and therefore no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below.

COMMERCE SHAREHOLDERS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER, AS WELL AS THE EFFECTS OF STATE, LOCAL AND NON-U.S. TAX LAWS.

The merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. As such a reorganization, no gain or loss will be recognized by Commerce in the merger, and the material U.S. federal income tax consequences of the merger for Commerce shareholders are summarized as follows:

Commerce Shareholders Who Elect to Receive Only Community Shares. If you elect to receive solely Community shares, then you will not recognize gain or loss for U.S. federal income tax purposes in the merger, except that any Commerce shareholder who receives cash proceeds in lieu of a fractional Community share will recognize capital gain or capital loss equal to the difference between such proceeds and the tax basis allocated to the fractional share. The tax basis of the Community shares (including any fractional shares deemed received and exchanged for a cash payment) received by you in exchange for your Commerce common stock will be the same as your tax basis in your Commerce common stock. Your holding period in the Community shares (including any fractional shares deemed received and exchanged for a cash payment) received by you will include your holding period in your Commerce common stock. Your capital gain or loss on cash proceeds received by you in lieu of a fractional Community share will be long-term capital gain or loss if you have held your shares of Commerce common stock for more than one year at the effective time of the merger.

Commerce Shareholders Who Receive Only Cash. If you exchange all of your shares of Commerce common stock for cash in the merger, you will recognize capital gain or capital loss for U.S. federal income tax purposes to the extent the amount of cash received by you in the merger exceeds or is less than your tax basis in your Commerce common stock. Your capital gain or loss will be long-term capital gain or loss if you have held your shares of Commerce common stock for more than one year at the effective time of the merger. Long-term capital gain of a non-corporate U.S. shareholder generally qualifies for a maximum regular U.S. federal income tax rate of 15 percent.

Commerce Shareholders Who Receive Both Community Shares and Cash. If you elect to receive both Community shares and cash in exchange for your Commerce common stock, you will recognize gain, but not loss, for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received by you in the merger or (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the Community shares received by you in the merger, over (b) your tax basis in your Commerce common stock. (The preceding sentence does not apply to any cash you receive in lieu of fractional Community shares, the tax consequences of which are discussed above under the subheading ***Commerce Shareholders Who Elect to Receive Only Community Shares***.) Your recognized gain will be capital gain unless your receipt of cash has the effect of a distribution of a dividend, in which case your gain will be treated as ordinary dividend income to the extent of your ratable share of Commerce s accumulated earnings and profits as calculated for U.S. federal income tax purposes. For purposes of determining whether your receipt of cash has the effect of a distribution of a dividend, you will be treated as if you first exchanged all of your Commerce common stock solely for Community shares and then Community immediately redeemed a portion of the shares for the cash that you actually received in the merger. The IRS has indicated in rulings that any reduction in the interest of a

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minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would receive capital gain (as opposed to dividend) treatment. In determining whether your receipt of cash has the effect of a distribution of a dividend, certain constructive ownership rules must be taken into account. Your capital gain will be long-term capital gain if your holding period for your Commerce common stock is more than one year. Long-term capital gain and certain dividend income of a non-corporate U.S. shareholder generally qualify for a maximum regular U.S. federal income tax rate of 15 percent.

Your aggregate tax basis in the Community shares received by you in the merger will equal your aggregate tax basis in your Commerce common stock, (1) reduced by (a) the portion of your tax basis in your Commerce common stock that is allocable to a fractional share of Community common stock for which cash is received and (b) the amount of cash received by you in the merger, and (2) increased by the amount of gain (including any portion of such gain that is treated as a dividend as described above), if any, recognized by you in the merger (other than any gain recognized upon your receipt of cash in lieu of a fractional Community share). Your holding period for the Community shares received by you in the merger will include your holding period for your Commerce common stock.

If you own Commerce stock options, please see Holders of Options for Commerce Common Stock on page for a discussion of the tax effects of the exchange of your options for cash, Community common stock, or a combination.

The foregoing discussion is not intended to be a complete analysis or description of all potential federal income tax consequences of the merger. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

Accounting Treatment

It is anticipated that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. The unaudited pro-forma financial information contained in this proxy statement prospectus has been prepared using the purchase method of accounting.

Dissenters Rights of Commerce Shareholders

Dissenters rights will be available to the Commerce shareholders in accordance with Nevada Revised Statutes 92A.300, *et seq.* ***The required procedure set forth in Nevada Revised Statutes 92A.300, et seq., must be followed exactly or any dissenters rights may be lost.***

The information set forth below is a general summary of dissenters rights as they apply to Commerce shareholders and is qualified in its entirety by reference to Nevada Revised Statutes 92A.300*, et seq.*, which is attached to this proxy statement-prospectus as Appendix C.

Fair Market Value of Shares

If the merger is approved, Commerce shareholders who dissent from the merger by complying with the procedures set forth in Nevada Revised Statutes 92A.300, *et seq*., will be entitled to receive an amount equal to the fair market value of their shares. The Board of Directors of Commerce believes that the fair market value for dissenters rights purposes is $20.00.

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Voting Procedure

In order to be entitled to exercise dissenters rights, a Commerce shareholder who wishes to assert dissenter s rights must deliver to Commerce, before the vote is taken to approve the merger at the Commerce annual meeting, written notice of his or her intent to demand payment for his or her shares if the merger is completed. In addition, such shareholder must not vote his or her shares in favor of the merger. Thus, any Commerce shareholder who wishes to dissent and executes and returns a proxy on the accompanying form or votes at the annual shareholders meeting must not vote FOR the merger and must provide a written notice of intent to demand payment for dissenters rights prior to the Commerce annual meeting. If the shareholder either does not provide the written notice of intent to dissent, returns a proxy without voting instructions or with instructions to vote FOR the merger, or votes in person or by proxy at the annual shareholders meeting FOR the merger, his or her shares will be counted as votes in favor of the merger and the shareholder will lose any dissenters rights.

Notice of Approval

If a shareholder has given timely written notice of his or her intent to demand payment for his or her shares and has not voted his or her shares in favor of the merger, Community shall deliver a written dissenter s notice no later than 10 days after the completion of the merger which:

states where the demand for payment must be sent and where and when certificates, if any, for shares must be deposited;

informs holders of shares not represented by certificates to what extent the transfer of the shares will be restricted after the demand for payment is received;

supplies a form for demanding payment that includes the date of the first announcement to the news media or to the stockholders of the time of the proposed action and requires that the person asserting dissenters rights certify whether or not he or she acquired beneficial ownership before that date;

sets a date by which Community must receive the demand for payment, which may not be less than 30 nor more than 60 days after the date the notice is delivered; and

is accompanied by a copy of Nevada Revised Statutes 92A.300 to 92A.500, inclusive.

Written Demand and Surrender of Certificates

In order to preserve his or her dissenters rights, a Commerce shareholder must make a written demand upon Community within the time frame provided in the notice from Community and must surrender to Community, at the office designated in the notice, both the written demand and the certificates representing the dissenting shares to be stamped or endorsed with a statement that they are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed.

Agreement on Price and Payment

Community shall pay each dissenter who complied with Nevada Revised Statutes 92A.440 the amount Community estimates to be the fair value of his or her shares, plus accrued interest. The payment must be accompanied by:

Commerce s balance sheet as of the end of 2004, a statement of income for 2004, a statement of changes in the stockholders equity for 2004, and the latest available interim financial statements;

a statement of Commerce s estimate of the fair value of the shares;

an explanation of how the interest was calculated;

a statement of the dissenter s rights to demand payment under Nevada Revised Statutes 92A.480; and

a copy of Nevada Revised Statutes 92A.300 to 92A.500, inclusive.

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A dissenting shareholder may then notify Community in writing of his or her own estimate of the fair value of his or her shares and the amount of interest due, and demand payment of his or her estimate, less any payment previously made and demand payment of the fair value of his or her shares and interest due, if he or she believes that the amount paid is less than the fair value of his or her shares or that the interest due is incorrectly calculated. Dissenting shareholders must make the demand in writing within 30 days after Community makes or offers payment for the dissenting shares or the right to demand payment is waived. The demand must be addressed to Community Bancorp, 400 South 4th Street, Suite 215, Las Vegas, Nevada 89101; Attention: Cathy Robinson, Corporate Secretary.

Disagreement on Price and Court Determination

If a demand for payment remains unsettled, Community shall commence a proceeding within 60 days after receiving the demand and petition the court to determine the fair value of the shares and accrued interest. If Community does not commence the proceeding within the 60-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded. The court in a proceeding to determine fair value shall determine all of the costs of the proceeding, including the reasonable compensation and expenses of any appraisers appointed by the court. The court shall assess the costs against Community, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously or not in good faith in demanding payment.

Interests of Certain Persons in the Merger

As a condition of the merger, each of the directors of Commerce has entered into an agreement whereby each has agreed to (i) vote his or her shares of Commerce stock that he or she owns or controls in favor of approving the principal terms of the merger and any other matter contemplated by the merger agreement; (ii) subject to their fiduciary obligations, recommend to Commerce s shareholders to vote in favor of the merger agreement; (iii) cooperate fully with Community in connection with the merger; (iv) for a period of two years from the effective date of the merger, he or she shall not directly or indirectly be competitive with the business of Commerce, Community or Community Bank of Nevada in a specified geographic area, as an employee, agent, independent contractor, 5% or more owner of an entity, director or other business representatives; (v) for that same two-year period, (A) the director shall not solicit or market financial services to any customer with whom Commerce, Community or Community Bank of Nevada has done business during the two year period preceding the date of the agreement, nor (B) solicit or offer employment to any person employed by Commerce on the date of the agreement; and (vi) not sell or otherwise dispose of any shares of Commerce without the prior written consent of Community. In addition, certain significant shareholders of Commerce have signed voting agreements under which they are obligated to vote their Commerce shares in favor of the merger. Collectively, the directors and significant shareholders represent approximately 64.7% of the outstanding shares of Commerce.

Most of the officers and employees of Commerce will become at the effective time officers and employees of Community Bank of Nevada, and as such will be entitled to participate in all employee benefits and benefit programs of Community on the same basis as similarly situated employees of Community Bank. Community has adopted a severance policy by which all employees of Commerce who were not offered employment following the effective time of the merger, will receive certain severance benefits.

Mr. Richard Robinson, the president of Commerce, will enter into an employment agreement which will be effective at the closing of the merger. Such agreement provides for the employment of Mr. Robinson by Community Bank of Nevada for a period of one year from the date the merger closes. Mr. Robinson will receive a salary of $172,000 for the year, and will have the title of Executive Vice President. Mr. Robinson has agreed not to compete with Community and Community Bank of Nevada for a period from the close of the merger until December 31, 2007, in certain markets and as to certain matters as well as to not solicit customers and employees of Commerce.

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Pursuant to the terms of Commerce s stock option plan, all outstanding options for Commerce common stock vest prior to the completion of the merger. Option holders may either exercise their options prior to the close of the merger or choose not to exercise their options, but participate in an election procedure similar to all Commerce shareholders and elect, subject to certain conditions, whether to receive cash or Community common stock in exchange for their options. The cash received or dollar value of Community common stock an option holder receives for each option share will equal that received by a Commerce shareholder for a share of Commerce common stock, less the exercise price of the relevant option. For a more detailed discussion, please see the subsection titled Treatment of Stock Options.

The discovery period for Commerce s policy of directors and officers liability insurance will be extended for 48 months with respect to all matters arising from facts or events which occurred before the effective time of the merger for which Commerce would have an obligation to indemnify its directors and officers.

The Merger Agreement

Structure of the Merger. Commerce will merge with and into Community Bank of Nevada and will cease to exist. The merger is governed by the merger agreement. Shareholders of Commerce will have the election to receive shares of common stock of Community, cash or a combination in exchange for their shares of Commerce.

Effective Time. The merger will become effective upon the last to occur of the following events: (1) receipt of all necessary regulatory approvals with the expiration of any applicable regulatory waiting periods; and (2) satisfaction of the other conditions precedent set forth in the merger agreement. We currently anticipate that the merger will occur in August of 2005.

Additional Agreements. As a condition to the merger, each of the directors of Commerce has entered into an agreement with Community whereby each has agreed:

- to vote his or her shares of Commerce stock in favor of the merger and all transactions contemplated thereby;
- to recommend, subject to his or her fiduciary duty, that Commerce shareholders vote in favor of the merger;
- subject to certain exceptions, to keep his or her shares of Commerce stock;
- for a two-year period not to compete with Community or solicit anyone who was a customer of Community, Community Bank of Nevada or Commerce during the last two years; and
- to cooperate fully with Community in connection with the merger.

The directors of Commerce have also entered into other agreements restricting their ability to sell shares of Community common stock which they acquire in connection with the merger.

In addition, certain significant shareholders of Commerce have signed voting agreements under which they are obligated to vote their Commerce shares in favor of the merger.

Under these agreements the directors and certain shareholders of Commerce have agreed to vote their shares (approximately 64.7% of the outstanding shares Commerce common stock) to approve the merger, increasing the likelihood that the merger will be approved.

Treatment of Stock Options. At the effective time of the merger, the Commerce stock option plan will terminate and Community s 2005 Equity Based Compensation plan will continue in effect.

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Conditions to the Merger. The obligations of Community and Commerce to consummate the merger are subject to the satisfaction or waiver on or before the effective time of the merger of, among other things, the following conditions:

the merger agreement and the transactions contemplated thereby will have received all requisite approvals of the Boards of Directors of Community, Community Bank of Nevada, Commerce, and of the shareholders of Commerce;

no judgment, decree, injunction, order or proceeding will be outstanding or threatened by any governmental entity which prohibits or restricts the effectuation of, or threatens to invalidate or set aside the merger substantially in the form contemplated by the merger agreement, unless a favorable opinion is given by legal counsel that such judgment, decree, injunction, order or proceeding is without merit;

by October 31, 2005, all approvals or consents of all applicable governmental agencies will have been obtained or granted for the merger and all the transactions contemplated by the merger agreement, and the applicable waiting period under all laws will have expired;

no rule will have been adopted or proposed by any government agency which would prohibit or substantially restrict the merger or the business carried on by the parties to the merger;

Community s registration statement shall have been declared effective by the Securities and Exchange Commission and shall not be the subject of any stop order or proceedings seeking or threatening a stop order;

Community shall have received all state securities permits and other authorizations necessary to issue the Community common stock to consummate the merger;

Community and Commerce will have received a favorable opinion from Santoro, Driggs, Walch, Kearney, Johnson & Thompson as to federal tax effects of the merger (see Federal Income Tax Consequences); and

all third party consents necessary to permit the parties to consummate the merger will have been obtained.

The obligations of Commerce to consummate the merger are also subject to fulfillment of certain other conditions, including that there will not have occurred, between May 19, 2005 and the effective time of the merger, any materially adverse change in the business, financial condition, prospects, results of operations or properties of Community.

The obligations of Community to consummate the merger are also subject to the fulfillment of certain other conditions, including that there will not have occurred, between May 19, 2005 and the effective time of the merger, any material adverse change in the business, financial condition, prospects, results of operations or properties of Commerce.

Additionally, the consummation of the merger is subject to the performance of covenants, the execution and delivery of certain ancillary documents, the accuracy of representations and warranties and the receipt of various third-party consents, officers certificates and other documents.

If these and other conditions are not satisfied or waived, the merger agreement may be terminated. The merger agreement may also be terminated upon the occurrence of certain other events. See Termination.

Nonsolicitation. Under the terms of the merger agreement, Commerce has agreed not to solicit, initiate or encourage any competing transaction. In addition, it has agreed (unless it determines, with advice of counsel, that its fiduciary duty requires otherwise) not to participate in any negotiations or discussions regarding, or furnish any information with respect to, or otherwise cooperate in any way in connection with, any effort or attempt to effect any competing transaction with or involving any person other than with Community, unless

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Commerce receives a bona fide offer from a person other than the parties to the merger agreement and subject to the fiduciary obligations of the Commerce Board of Directors. Commerce has agreed to promptly notify Community of the terms of any proposal which it may receive in respect of any competing transaction. The term competing transaction means any of the following involving Commerce:

- a merger, consolidation, share exchange or other business combination;
- a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets representing 25% or more of Commerce s assets;
- a sale of shares of capital stock (or securities convertible or exchangeable into or otherwise evidencing, or any agreement or instrument evidencing, the right to acquire capital stock), representing 25% or more of the voting power of Commerce;
- a tender offer or exchange offer for at least 25% of the outstanding shares of Commerce;
- a solicitation of proxies in opposition to approval of the merger by Commerce s shareholders; or
- a public announcement of an unsolicited *bona fide* proposal, plan or intention to do any of the foregoing.

Any violation of these agreements by Commerce will result in Community having the right to terminate the merger agreement.

Expenses. If the merger agreement is terminated by Commerce because Community materially fails to satisfy its obligations or breaches its representations under the merger agreement, Community will be obligated to pay Commerce $500,000.

If the merger agreement is terminated by Community because Commerce materially fails to satisfy its obligations or breaches its representations under the merger agreement or because Commerce shareholders do not approve the merger, Commerce will be obligated to pay Community $500,000.

In the event that (i) the Board of Directors of Commerce fails to recommend approval of the merger agreement and the merger to the shareholders of Commerce or effects a change in recommendation (as defined in the merger agreement), and the merger agreement and the merger are not approved by the shareholders of Commerce by the requisite vote at the annual meeting, or (ii) a competing transaction (as defined above) occurs between May 19, 2005 and the time of the annual meeting and the shareholders of Commerce fail to approve the merger agreement and the merger under circumstances where the Board of Directors of Commerce continuously maintained its favorable recommendation of the merger agreement and the merger and if a definitive agreement relating to a competing transaction is executed by Commerce, or a competing transaction is consummated, in either case within 12 months after the termination of the merger agreement, then Commerce shall promptly pay Community $1,000,000.

Termination. The merger agreement may be terminated prior to the effective time of the merger:

by mutual consent of Community and Commerce;

by Community or Commerce if any material breach or default by the other party is not cured within 20 business days after notice thereof;

by Community or Commerce if any governmental or regulatory consent is not obtained by October 31, 2005 or if any governmental or regulatory authority denies or refuses to grant any approval, consent or authorization required to be obtained to consummate the transactions contemplated by the merger agreement unless, within 20 business days after such denial or refusal, all parties agree to resubmit the application to the regulatory authority that has denied or refused to grant the approval, consent or qualification requested;

by Commerce if any of the conditions to its performance of the merger agreement shall not have been met, or by Community if any of the conditions to its performance of the merger agreement shall not have been met, by October 31, 2005 or such earlier time as it becomes apparent that such conditions shall not be met;

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- by Community, if the shareholders of Commerce fail to approve the merger and the merger agreement by the requisite vote at the annual meeting; or

- by Community, if Community s average closing price is less than $24.00, subject to Commerce s right to reinstate the agreement with a fixed exchange ratio of 1.3750 shares of Community for each share of Commerce.

Representations and Warranties. The merger agreement contains customary mutual representations and warranties by each party relating to, among other things: (1) incorporation, standing and power; (2) capitalization; (3) subsidiaries; (4) financial statements; (5) corporate authority; (6) litigation; (7) compliance with laws and regulations; (8) brokers and finders; (9) absence of material changes; (10) environmental matters; (11) Community Reinvestment Act; (12) governmental reports; (13) regulatory approvals; (14) performance of obligations; (15) licenses and permits; (16) undisclosed liabilities; (17) accounting records; (18) Bank Secrecy Act; (19) taxes; (20) insurance; (21) loan portfolio; and (22) operating losses.

In the merger agreement, Commerce makes additional representations and warranties relating to: (1) title to assets; (2) real estate; (3) employees; (4) employee benefit plans; (5) corporate records; (6) offices and ATMs; (7) power of attorney; (8) derivatives; (9) material contracts; (10) trust administration; (11) intellectual property; (12) indemnification; (13) investment securities and (14) certain interests.

The representations and warranties of the parties terminate as of the effective time of the merger.

Covenants; Conduct of Business Prior to Effective Time. The merger agreement provides that, during the period from May 19, 2005 until the effective time of the merger, Commerce will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Community, which will not be unreasonably withheld, take any of the following actions, among others:

- issue any security except pursuant to the exercise of options outstanding as of the date of the merger agreement;

- declare, set aside or pay any dividend or make any other distribution upon, or purchase or redeem any shares of its stock;

- amend its articles of incorporation or its bylaws;

- grant any general or uniform increase in the rate of pay of employees or employee benefits except in the ordinary course of business and consistent with past practice;

- grant any promotions or increases on the pay rate of any employee, incentive compensation or employee benefits or pay any bonus, severance or similar payment to any person except in the ordinary course of business and consistent with past practice, or for certain retention bonuses provided for in the merger agreement;

- make any capital expenditure in excess of $25,000, except for ordinary repairs, renewals and replacements;

compromise or otherwise settle or adjust any assertion or claim of a deficiency in taxes (or interest thereon or penalties in connection therewith); file any appeal from an asserted deficiency except in a form previously approved by Community in writing; file or amend any United States federal, foreign, state or local tax return without Community s prior written approval, which approval shall not be unreasonably withheld; or make any tax election or change any method or period of accounting unless required by GAAP or applicable law;

grant, renew or commit to grant or renew any extension of credit or amend the terms of any such credit outstanding on the date hereof to any executive officer, director or principal shareholder, or to any corporation, partnership, trust or other entity controlled by any such person, except under certain circumstances and in amounts not exceeding $50,000 per person, and $100,000 in the aggregate;

enter into or consent to any new employment agreement or other benefit arrangement, or amend or modify any employment agreement or other benefit arrangement in effect on the date of the merger agreement;

grant any person a power of attorney or similar authority;

make any material investment by purchase of stock or securities, contributions to capital, property transfers or otherwise in any other company, except for federal funds or obligations of the United States Treasury, or investments made in the ordinary course of business consistent with past or established practice;

amend, modify or terminate, except in accordance with its terms, any material contract or enter into any material agreement or contract;

sell, encumber or otherwise dispose of any assets or release any claims, except in the ordinary course of business consistent with past practice;

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code;

sell any investment security prior to maturity, except in the ordinary course of business;

change any of its basic policies and practices with respect to liquidity management and cash flow planning, marketing, deposit origination, lending, budgeting, tax planning, personnel practices or other material aspects of its business;

settle any claim, action or proceeding involving any material liability for monetary damages or enter into any settlement agreement containing material obligations;

incur any indebtedness for borrowed money or assume, guaranty, endorse or otherwise as an accommodation become responsible for the obligations of any other person, except for (i) in connection with banking transactions with banking customers in the ordinary course of business, or (ii) short-term borrowings (30 days or less) made at prevailing market rates and terms; or

grant, renew or commit to grant or renew any extension of credit if such extension of credit, together with all other credit then outstanding to the same person and all affiliated persons, would exceed $250,000 on an unsecured basis and $500,000 on a secured basis subject to certain exceptions.

The merger agreement further provides that, during the period from May 19, 2005 until the effective time of the merger, Community will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Commerce, which will not be unreasonably withheld, take any of the following actions, among others:

amend its articles of incorporation or bylaws;

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code; or

enter into or complete any transaction for (i) the acquisition, merger or consolidation of Community or Community Bank of Nevada where Community or Community Bank of Nevada, as the case may be, is not the surviving entity, (ii) the sale of all or substantially all of the assets of Community or Community Bank of Nevada, without making necessary and appropriate provision in the documents for such an acquisition, merger, consolidation or sale of assets for the consummation of the merger with Commerce and the other transactions contemplated by the merger agreement, or (iii) enter into an acquisition, merger or consolidation involving Community or Community Bank of Nevada, where such acquisition, merger or consolidation could result in the delay of closing the merger with Commerce beyond October 31, 2005; provided, however, the public or private sale of securities for cash consideration, the acquisition or disposition of loans or loan participations, investment securities and related activities in the ordinary course of the banking business shall not be prohibited by this provision.

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The merger agreement also provides that each party will (1) use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by the merger agreement as promptly as practical; and (2) obtain the consent of the other party before it issues any press release or makes any public statement with respect to the merger agreement or the transactions contemplated hereby.

The merger agreement also provides that each party will:

- duly and timely file all required governmental reports;
- periodically furnish to the other party certain information, loan reports and updates of information previously provided;
- promptly notify the other party of certain communications from tax authorities, material litigation and any event which has had or may reasonably be expected to have a materially adverse effect on the financial condition, operations, business or properties;
- provide access to the other party of certain information; and
- use its reasonable efforts between the date of the merger agreement and the effective time of the merger to take all actions necessary or desirable, including the filing of any regulatory applications.

Amendment and Waiver. Subject to applicable law: (1) the merger agreement may be amended at any time by the action of the Boards of Directors of Community and Commerce without action by their shareholders pursuant to a writing signed by all parties to the merger agreement; and (2) the parties, by action of their respective Boards of Directors, may, at any time prior to the effective time, extend the performance of any obligation or action required by the merger agreement, waive inaccuracies in representations and warranties and waive compliance with any agreements or conditions for their respective benefit contained in the merger agreement.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

These pro forma combined figures are arithmetical combinations of Community s and Commerce s separate financial results modified to reflect certain merger-related adjustments. These presentations include an unaudited pro forma balance sheet as of March 31, 2005 prepared under the assumptions that (i) the transaction is accounted for using the purchase method of accounting, (ii) 50% of Commerce s common stock is exchanged for Community stock with the remaining 50% of Commerce s common stock exchanged for cash and (iii) the average closing price of Community stock is $26.66 resulting in value to Commerce shareholders of $33.00 per share. For purposes of illustration, the pro forma combined figures have been calculated using an implied exchange ratio of 1.2378 shares of Community common stock for each shares of Commerce common stock. Unaudited pro forma combined statements of income are also presented for the three months ended March 31, 2005 and the twelve months ended December 31, 2004. The unaudited pro forma combined balance sheet assumes the merger took place on March 31, 2005. The unaudited pro forma combined statements of income give effect to the merger as if it had occurred as of the beginning of the period. Certain assumptions associated with these statements are shown as footnotes to these pro forma financial statements.

The unaudited pro forma condensed combined financial statements are presented for information purposes only and you should not assume that the combined company would have achieved the pro forma combined results if they had actually been combined on the date or at the beginning of the periods presented.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The unaudited pro forma combined financial statements, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings or opportunities to earn additional revenue, nor do they reflect business integration costs which Community expects to incur and, accordingly, do not attempt to predict or suggest future results.

Community currently expects to consummate the merger in August of 2005, subject to the receipt of all required regulatory approvals and approval of shareholders of Commerce.

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UNAUDITED PRO FORMA COMBINED

BALANCE SHEET

As of March 31, 2005

	Community Bancorp	Bank of Commerce	Pro Forma Adjustments	Pro Forma Combined
	(dollars in thousands, except per share data)			
ASSETS:				
Cash and cash equivalents	$ 16,592	$ 3,727	$	$ 20,319
Federal funds sold	97,654	17,250	(20,704)(a)	94,200
Investments:				
Held-to-maturity at amortized cost;	1,915			1,915
Available-for-sale, at estimated fair value	90,540	21,820		112,360
Federal Reserve Bank & Federal Home Loan Bank stock, at cost	2,264	808		3,072
Loans held for investment	407,545	121,379		528,924
Less allowance for loan losses	(6,156)	(1,576)		(7,732)
Net loans held for investment	401,389	119,803		521,192
Premises and equipment, net	8,493	3,046		11,539
Accrued interest receivable	2,233	652		2,885
Other assets	1,535	150		1,685
Goodwill			22,770(b)	22,770
Core deposit intangible assets			2,926(b)	2,926
Deferred tax asset, net	2,468	237		2,705
Bank owned life insurance	9,318			9,318
Total assets	**$ 634,401**	**$ 167,493**	**$ 4,992**	**$ 806,886**
LIABILITIES AND STOCKHOLDERS EQUITY				
Deposits				
Interest bearing	$ 403,462	$ 101,434	$	$ 504,896
Non-interest bearing	131,650	36,686		168,336
Total deposits	535,112	138,120		673,232
Other borrowed funds		13,828		13,828
Junior subordinated debt	15,464			15,464
Accrued stock appreciation rights	2,086			2,086
Accrued expenses and other liabilities	2,432	533		2,965
Total liabilities	555,094	152,481		707,575
Stockholders equity				
Common stock	7	11,444	(11,444)(c)	8
			1(d)	
Additional paid-in capital	51,261		20,003(d)	71,264
Accumulated other comprehensive income (loss)	(576)	(322)	322(c)	(576)
Lest cost of treasury stock	(285)			(285)
Less notes receivable	(180)			(180)
Retained earnings	29,080	3,890	(3,890)(c)	29,080

Total stockholders equity	79,307	15,012	4,992	99,311
Total liabilities and stockholders equity	**$ 634,401**	**$ 167,493**	**$ 4,992**	**$ 806,886**

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

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UNAUDITED PRO FORMA COMBINED

STATEMENT OF INCOME

For the Three Months Ended March 31, 2005

	Historical: Community Bancorp	Historical: Bank of Commerce	Pro Forma Adjustments	Pro Forma Combined
	(unaudited) (dollars in thousands, except per share data)			
Interest and dividend income:				
Loans, including fees	$ 7,355	$ 2,354	$	$ 9,709
Securities	809	146		955
Federal funds sold and other	542	69	(138)(e)	473
Total interest and dividend income	8,706	2,569	(138)	11,137
Interest Expense:				
Deposits	1,942	427		2,369
Other borrowed funds	5	93		98
Junior subordinated debt	229			229
Total interest expense	2,176	520		2,696
Net interest income before provision for loan losses	6,530	2,049	(138)	8,441
Provision for loan losses		306		306
Net interest income after provision for loan losses	6,530	1,743	(138)	8,135
Other operating income:				
Service charges and other income	242	142		384
Income from bank owned life insurance	124			124
Net gains on sale of loans	10			10
Total other operating income	376	142		518
Other operating expenses:				
Salaries, wages and employee benefits	2,488	580		3,068
Stock appreciation rights	(328)			(328)
Occupancy, equipment & depreciation	360	200		560
Data processing	151	90		241
Professional fees	280	76		356
Foreclosed assets, net	(193)			(193)
Other expenses	665	179	105(f)	949
Total other operating expenses	3,423	1,125	105	4,653
Income before taxes	3,483	760	(243)	4,000
Income taxes	1,101	258	(83)(g)	1,276

Net income	**$ 2,382**	**$ 502**	**$ (160)**	**$ 2,724**
Basic earnings per share	**$ 0.35**	**$ 0.47**		**$ 0.36**
Diluted earnings per share	**$ 0.35**	**$ 0.41**		**$ 0.36**
Average shares outstanding for basic earnings per share	6,749,250	1,069,398		7,499,573(h)
Average shares outstanding for diluted earnings per share	6,871,261	1,223,910		7,621,584(h)

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

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UNAUDITED PRO FORMA COMBINED

STATEMENT OF INCOME

For the Year Ended December 31, 2004

	Historical			
	Community Bancorp	Bank of Commerce	Pro Forma Adjustments	Pro Forma Combined
	(unaudited) (dollars in thousands, except per share data)			
Interest and dividend income:				
Loans, including fees	$ 26,415	$ 7,701	$	$ 34,116
Securities	2,855	661		3516
Federal funds sold and other	768	136	(550)(e)	$ 354
	30,038	8,498	(550)	37,986
Interest Expense:				
Deposits	6,054	1,542		7,596
Other borrowed funds	44	159		203
Junior subordinated debt	764			764
Total interest expense	6,862	1,701		8,563
Net interest income before provision for loan losses	23,176	6,797	(550)	29,423
Provision for loan losses	922	1,130		2,052
Net interest income after provision for loan losses	22,254	5,667	(550)	27,371
Other operating income:				
Service charge and other income	991	536		1,527
Loan brokerage and referral fees	184			184
Income from bank owned life insurance	194			194
Realized gain(loss) on sale of securities AFS	12	59		71
Net gains on sale of loans	108			108
Total other operating income	1,489	595		2,084
Other operating expenses:				
Salaries, wages and employee benefits	8,619	2,092		10,711
Stock appreciation rights	2,095			2,095
Occupancy, equipment & depreciation	1,495	820		2,315
Data processing	558	257		815
Professional fees	359	158		517
Foreclosed assets, net	117			117
Other expenses	2,703	886	418 (f)	4,007
Total other operating expenses	15,946	4,213	418	20,577
Income before taxes	7,797	2,049	(968)	8,878
Income taxes	2,376	689	(329)(g)	2,736

Net income	**$ 5,421**	**$ 1,360**	**$ (639)**	**$ 6,142**
Basic earnings per share	**$ 1.13**	**$ 1.27**		**$ 1.11**
Diluted earnings per share	**$ 1.10**	**$ 1.19**		**$ 1.08**
Average shares outstanding for basic earnings per share	4,798,922	1,069,398		5,549,245(h)
Average shares outstanding for diluted earnings per share	4,940,977	1,137,911		5,691,300(h)

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

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NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

March 31, 2005 and December 31, 2004

(Amounts in thousands, except per share amounts)

Note 1 Basis of Presentation

The merger will be accounted for using the purchase method of accounting.

Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, requires the purchase method of accounting for business combinations. SFAS No. 142, Goodwill and Other Intangible Assets establishes standards for goodwill acquired in a business combination and sets forth methods to periodically evaluate goodwill for impairment at least annually. The purchase method of accounting for business combinations requires that the assets acquired and liabilities assumed are recorded at their respective estimated fair market values as of the closing date. The excess of the total acquisition cost over the sum of the assigned fair values of the tangible and identifiable intangible assets acquired, less liabilities assumed, should be recorded as goodwill and evaluated for impairment thereafter at least annually. Financial statements of Community issued after the consummation of the merger are required to reflect those values, as well as the results of operations of the combined company beginning after the closing date of the merger. Financial statements of Community issued prior to the consummation of the merger will not be restated to reflect Commerce historical financial condition or results of operations.

The unaudited pro forma combined statements of income for the three months ended March 31, 2005 and for the year ended December 31, 2004 give effect to the merger as if the merger had occurred on January 1, 2005 and 2004, respectively.

The unaudited pro forma combined balance sheet as of March 31, 2005 gives effect to the merger as if the merger had occurred at March 31, 2005.

The unaudited pro forma financial data is based on preliminary estimates and various assumptions that Community management and Commerce management believe are reasonable in these circumstances. The unaudited pro forma adjustments reflect transaction-related items only and are based on currently available information. Purchase price allocations and related amortization, accretion and depreciation periods will be based on final appraisals, evaluations and estimates of fair values. As a result, actual asset and liability values established and related operating results, including actual amortization and accretion, could differ materially from those reflected in the unaudited pro forma combined financial statements. No estimates of business integration costs or anticipated cost savings, potential revenue enhancements or synergies that Community or Commerce expect to realize in connection with the merger have been reflected in the unaudited pro forma combined financial statements. The unaudited pro forma combined financial statements do not reflect the impact of conforming Commerce accounting policies to those of Community, as the impact, if any, has not yet been determined.

Note 2 Merger Consideration

Under the terms of the merger agreement and assuming an average closing price of $26.66, Community expects to issue approximately 750,323 shares of common stock and an aggregate $20 million in cash for the 1,069,398 outstanding shares of Commerce common stock and 222,100 existing options held by Commerce management and directors. Based on an implied exchange ratio of 1.2378 shares (as of March 31, 2005) of Community stock, it is contemplated that the transaction will be comprised of 50.0 percent cash and 50.0 percent stock, and will qualify as a tax-deferred reorganization. Based upon an assumed average closing price of $26.66 of Community s common stock, the total fair value of the merger consideration at that date was approximately $40 million, as set forth in Note 3 below.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (Continued)

March 31, 2005 and December 31, 2004

(Amounts in thousands, except per share amounts)

Note 3 Purchase Price and Acquisition Costs

Community has estimated the relative fair value of Commerce net assets in order to determine a preliminary allocation of the purchase price to the net assets to be acquired. For purposes of the accompanying unaudited pro forma condensed combined financial statements, the excess of the purchase price over the book value of net assets to be acquired has been estimated as follows:

Estimated fair value of approximately 750,323 shares of Community common stock expected to be issued:	$ 20,004	50.0%
Cash	20,004	50.0%
Total merger consideration	40,008	
Estimated Community acquisition costs (1):		
Merger-related compensation and severance	250	
Other Merger-related expenses	50	
Professional services	400	
Total acquisition costs	700	
Estimated total purchase price	40,708	
Less book value of Bank of Commerce net assets to be acquired	15,012	
Preliminary excess of purchase price over book value of net assets to be acquired	$ 25,696	

(1) Estimated Community acquisition costs do not include any merger related expenses incurred by Commerce.

The pro forma purchase price calculation shown above is subject to change between March 31, 2005 and the closing date of the merger as a result of the following items:

- the possible change in the price of Community stock
- the actual acquisition costs incurred by Community, and
- final appraisals, evaluations and estimates of fair value.

The appraisal and purchase price allocation are expected to be finalized within one year after completion of the merger.

Community anticipates, based on preliminary plans and estimates, that approximately $700,000 in costs will be incurred in connection with the merger and will be included as part of the purchase price of the merger, as set forth above.

In addition to the above transaction costs, Community expects to incur integration costs of approximately $425,000 before taxes (approximately $280,000 after taxes). These estimated costs are primarily comprised of information technology conversion costs and upgrades and branch improvements. These amounts are not reflected in the pro forma combined statements of operations. Such costs will be included in Community reported results of operations subsequent to the closing date of the merger.

Note 4 Pro Forma Adjustments

(a) To reflect the cash portion of the purchase price and estimated transaction and merger related costs of approximately $20.0 million and approximately $700,000, respectively, as set forth in Note 3 above.

(b) To reflect the goodwill and core deposit intangible to be recognized as a result of the merger, of $22.8 million and $2.9 million.

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NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (Continued)

March 31, 2005 and December 31, 2004

(Amounts in thousands, except per share amounts)

(c) To reflect the elimination of Commerce equity components.

(d) To reflect the (1) fair value of approximately 534,699 shares of Commerce common stock which exchanges into 661,850 shares of Community and (2) 88,473 shares issued in exchange for the cancellation of 111,050 vested options of directors and employees of Commerce at an initial exchange ratio of 1.2378 based on a price of $26.66 (the average closing price, further described on page), less weighted average exercise price of $11.76.

(e) To reflect the estimated reduction in interest income assuming federal funds sold were utilized for the cash portion of the merger consideration and acquisition costs.

(f) To reflect the amortization of the core deposit intangible in other operating expense amortized utilizing the straight-line method assuming an estimated life of approximately 7 years.

(g) To reflect the impact of income taxes associated with these pro forma adjustments to operating results at a 34% combined effective income tax rate.

(h) Pro forma basic earnings per share were calculated using Community historical shares outstanding for the periods presented and the expected issuance of 661,850 shares of Community common stock plus 88,473 the net shares given to option holders.

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COMMUNITY BANCORP STOCK

General

Community s articles of incorporation, as amended, authorize it to issue up to 10,000,000 shares of common stock, $0.001 par value. There were 6,789,222 shares of common stock issued and 6,754,847 shares of common stock outstanding at May 19, 2005. In addition, at May 19, 2005, options to purchase 224,896 shares of Community common stock have been granted (as adjusted), but have not been exercised, pursuant to its previous stock option plan, and its recent 2005 Equity Based Compensation Plan. There are 1,012,538 shares (as adjusted) remaining available for future grant pursuant to the 2005 Equity Based Compensation Plan. Community s shares do not represent or constitute deposit accounts and are not insured by the FDIC.

Common Stock

Dividends. Community shareholders are entitled to receive such dividends, if any, as may be declared by the Board of Directors out of funds legally available for such purpose. Community is a legal entity separate and distinct from Community Bank of Nevada. Because Community is a holding company with no significant assets other than Community Bank of Nevada, Community will be dependent upon dividends from Community Bank of Nevada for cash with which to pay dividends when, and if, Community s dividend policy changes. Accordingly, Community s ability to make dividend payments to shareholders is subject to statutory and regulatory restrictions that apply to Community Bank of Nevada. A Nevada banking corporation, such as Community Bank of Nevada, may not declare a dividend until (a) the surplus fund of the bank equals its initial stockholders or members equity, not including its initial surplus fund, (b) there has first been carried to the surplus fund 10 percent of the previous year s net profit, and (c) the bank complies with the requirements set forth in *NRS 661.025*. However, in general the directors of a Nevada state bank that maintains the issuance of deposits required pursuant to the provisions of the Federal Deposit Insurance Act may declare a dividend or make a distribution of so much of the net profits of the bank as they determine is expedient. The Nevada Division of Financial Institutions may also restrict the payment of dividends under its general supervisory and enforcement powers.

Voting Rights. Each share of common stock is entitled to one vote on all matters presented for a vote. Cumulative voting for the election of directors is not authorized.

Preemptive Rights. Community s articles of incorporation provide that holders of shares of common stock shall not have any preemptive right (i.e. the right of first refusal to acquire shares offered by Community Bancorp) to acquire unissued shares of capital stock of Community Bancorp.

Other Rights. Community s shares of common stock have no liquidation rights or conversion rights, and its articles of incorporation contain no provisions regarding the redemption of the common stock, nor any sinking fund provisions.

Assessment. Shares of Community Bancorp common stock are not assessable.

Articles of Incorporation and Bylaws

Shareholders rights and related matters are governed by Community s articles of incorporation, bylaws and Nevada law. Community s articles of incorporation may not be amended without the affirmative vote of at least a majority of the outstanding shares unless a greater amount is required by law. Subject to the approval of the Division of Financial Institutions for the State of Nevada, if such approval is required, Community s bylaws may be amended by either the Board of Directors or by the affirmative vote of a majority of our outstanding voting shares.

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Board of Directors

Community s bylaws provide that the number of directors must fall within a range between five and 25, the exact number to be fixed by resolution of the Board of Directors. The Board of Directors has set the current size of the Board at six persons. Each director is appointed for a term of one year until his or her successor is appointed and qualified.

Indemnification

Indemnification. Community s articles of incorporation and bylaws contain provisions for the indemnification of its officers and directors, and authorize it to pay reasonable expenses incurred by, or to satisfy a fine or judgment against, a current or former director, officer, employee or agent in connection with certain types of legal liability incurred by the individual while acting for Community within the scope of his or her employment, except for acts or omissions that are finally adjudged to be intentional misconduct, fraud, or a knowing violation of law and was material to the cause of action. The indemnification provided for in Community s articles of incorporation is not exclusive of any other rights to which those indemnified may be entitled under any bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Limitation of Liability. Nevada state law contains provisions eliminating the personal liability of directors and officers to Community or its shareholders for damages for breach of fiduciary duty as a director or officer, except for acts or omissions involving intentional misconduct, fraud, or a knowing violation of law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to officers, directors and controlling persons of Community pursuant to the foregoing provisions, Community has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

Defensive Provisions of Nevada Law

Certain provisions of the Nevada Revised Statutes, or the NRS, summarized below, may be considered to have an anti-takeover effect and may delay, deter, or prevent a tender offer, proxy contest or other takeover attempt that shareholders might consider to be in their best interest, including such an attempt that might result in the payment of a premium over the market price of the shareholders shares.

Community is not subject to the NRS provisions, which are commonly referred to as Nevada s business combination law (codified in NRS Sections 78.411 through 78.444), or the BCL, since it has opted out of the provisions of such law. However, Community Bancorp has not opted out of the NRS provisions which are commonly referred to as the control share law (codified in NRS Sections 78.378 through 78.3793), or the CSL, and, such provisions apply while Community has 200 or more shareholders of record, at least 100 of whom are in Nevada.

The BCL provides, among other things, for restrictions on business combinations (as broadly defined in the BCL) between a corporation and a person (individually or in association with others) who is deemed an interested stockholder because such person (i) has acquired ten percent or more of the voting power of the corporation s shares or (ii) has certain affiliations or associations with the corporation and previously owned ten percent or more of such voting shares. Such business combinations are prohibited for a three-year period specified by the BCL unless certain prior approvals by the corporation s Board of Directors have been obtained. After expiration of the three-year period, such business combinations are still prohibited unless certain prior approvals by the corporation s Board of Directors or disinterested shareholders have been obtained or certain fair value requirements are met.

The CSL provides, among other things, that a person (individually or in association with others) who acquires a controlling interest (which, under the definition in the CSL, can be as small as 20% of the voting

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power in the election of directors) in a corporation will obtain voting rights in the control shares only to the extent such rights are conferred by a vote of the disinterested shareholders. In addition, in certain cases where the acquiring party has obtained such shareholder approval for voting rights, shareholders who voted against conferring such voting rights will be entitled to demand payment by the corporation of the fair value of their shares.

Defensive Provisions in Articles or Bylaws

Community s bylaws provide certain procedures that must be complied with in order for a shareholder to propose a nominee for director, to be considered by our nominating committee. These provisions contain time limits and informational requirements that must be complied with in order to make such nominations.

Community s articles of incorporation prohibit cumulative voting in the election of directors. Cumulative voting may facilitate a shareholder or group of shareholders in electing one or more candidates to our Board of Directors in opposition to our slate of proposed directors.

Community s articles of incorporation authorize the issuance of 10,000,000 shares of common stock. The shares of common stock were authorized to provide our Board of Directors with as much flexibility as possible to effect, among other transactions, financings, acquisitions, stock dividends, and the exercise of employee stock options. However, these additional authorized shares may also be used by the Board of Directors, to the extent consistent with its fiduciary duty, to deter future attempts to gain control of Community. As a result of the ability to issue additional shares of common stock, the board has the power to issue stock to persons friendly to management in order to attempt to block a tender offer, merger or other transaction by which a third party seeks control of Community, and thereby allow members of management to retain their positions.

The provisions described above may be considered to have an anti-takeover effect and may delay, defer or prevent a tender offer or other takeover attempt that a shareholder might consider to be in such shareholder s best interest, including such an attempt as might result in the receipt of a premium over the market price for the shares of common stock held by such shareholder.

COMPARISON OF COMMUNITY COMMON STOCK

AND COMMERCE COMMON STOCK

As a result of the merger, many of the holders of Commerce common stock will become shareholders of Community, a Nevada corporation. As a holder of Community common stock, you will have similar (but not identical) rights to those that you currently have with your shares of Commerce common stock.

The discussion below is a summary of various rights of shareholders, it is not intended to be a complete statement of all rights. The discussion is qualified in its entirety by reference to the articles of incorporation of Community and the articles of incorporation of Commerce as well as the provisions of Nevada and relevant federal law.

Authorized Capital Stock

Commerce s articles of incorporation provide for 2,000,000 authorized shares of common stock with no par value. At May 19, 2005, there were 1,069,398 shares of such stock outstanding. Commerce s articles of incorporation do not provide for another class of stock.

Community s articles of incorporation provides for 10,000,000 shares of authorized common stock with a par value of $0.001 per share of which, at May 19, 2005, there were 6,754,847 shares outstanding.

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Issuance of Common Stock

Under Community s articles of incorporation and Commerce s articles of incorporation, shares of common stock may be issued from time to time by their Boards of Directors without the approval of the shareholders.

Liquidation Rights

In the event of liquidation, holders of common stock of Community and Commerce are entitled to similar rights to assets distributable to shareholders on a pro rata basis after satisfaction of liabilities.

Redemption Rights

Commerce and Community are empowered by Nevada law to buy their shares of stock from their shareholders at the mutual accord of the shareholder and the respective company.

Preemptive Rights

Neither Community s articles of incorporation nor Commerce s provide for preemptive rights.

Voting Rights

Each share of Commerce common stock and each share of Community common stock is entitled to one vote per share. Commerce s articles of incorporation provide for cumulative voting in the election of directors. Community s articles of incorporation prohibit cumulative voting in the election of directors.

Cumulative voting entitles a shareholder to vote as many votes as equals the number of shares the shareholder owns multiplied by the number of directors to be elected. A shareholder may cast all his votes for a single candidate or distribute such votes among any or all of the candidates.

Shareholder Action without a Meeting

Commerce s bylaws provide that any action that is required or permitted to be taken by shareholders at an annual or special meeting may be taken by a written consent signed by the shareholders of the outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, except as to the election of directors, in which case all shareholders must sign such consent.

Community s articles and bylaws are silent on taking shareholder action without a meeting. However, Nevada law provides that in the absence of a provision to the contrary in a company s articles of incorporation or the bylaws, any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if, before or after the action, a written consent thereto is signed by shareholders holding at least a majority of the voting power, except that if a different proportion of voting power is required for such an action at a meeting, then that proportion of written consents is required.

Shareholder Vote on Business Combinations

In general, approval of a business combination (a merger or sale of assets) involving Commerce or Community requires the approval of a majority of the Board of Directors as well as a favorable vote of not less than a majority of the outstanding shares.

Special Meetings of Shareholders

Commerce s bylaws provide that a special meeting of the shareholders may be called by, among others, a holder or holders of $33\frac{1}{3}\%$ or more of the outstanding voting shares.

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Community s bylaws provide for a lower percentage (25% or more) of the outstanding voting shares.

Dividends

A Nevada banking corporation, such as Commerce, may not declare a dividend until (a) the surplus fund of the bank equals its initial stockholders or members equity, not including its initial surplus fund, (b) there has first been carried to the surplus fund 10 percent of the previous year s net profit, and (c) the bank complies with the requirements set forth in *NRS 661.025*. However, in general the directors of a Nevada state bank that maintains insurance of deposits required pursuant to the provisions of the Federal Deposit Insurance Act may declare a dividend or make a distribution of so much of the net profits of the bank as they determine is expedient. The Nevada Division of Financial Institutions may also restrict the payment of dividends under its general supervisory and enforcement powers.

Under Nevada law, a corporation (such as Community) may not pay a dividend if, after giving effect to the dividend, (i) the corporation would not be able to pay its debts as they become due, or (ii) the corporation s assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of distribution, to satisfy the dissolution rights of an preferred shareholders. Additionally, Community s junior subordinated debt agreement contains a provision that prohibits its paying dividends if Community has a deferred payment of interest on outstanding trust preferred securities. Moreover, Community is a legal entity separate and distinct from Community Bank of Nevada. Because Community is a holding company with no significant assets other than Community Bank of Nevada, Community will be dependent upon dividends from Community Bank of Nevada for cash with which to pay dividends when, and if, Community s dividend policy changes. Accordingly, Community s ability to make dividend payments to our shareholders is subject to statutory and regulatory restrictions that apply to Community Bank of Nevada, which are the same as those discussed immediately above relating to Commerce.

Amendment to Charter and Bylaws

In general, Commerce s articles of incorporation and bylaws may be amended by a favorable vote of the majority of the outstanding voting stock. Under most circumstances, the bylaws of a Nevada state bank may also be amended by the board of directors.

Amendments to Community s articles of incorporation require the approval of a majority vote of Community s Board of Directors, or by a majority of the outstanding shares of Community s voting stock. Community s bylaws may be amended by a majority vote of the Board of Directors or the affirmative vote of a majority of the total votes eligible to be voted at a duly constituted meeting of shareholders.

Board of Directors

Commerce s articles of incorporation provide that the number of directors shall not be less than five nor more than nine with the exact number fixed by a resolution of the board or shareholders. The number of directors has been fixed at nine.

Community s articles of incorporation provide that the number of directors shall be not less than five nor more than 25 with the exact number of directors fixed by a resolution of the board. The number of directors has been fixed at six.

Directors of Commerce and Community are elected annually for a one year term.

In general, the removal of a director in a Nevada banking corporation or the removal of a director of Community requires a vote of a majority of the shareholders at a meeting.

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Nomination to the Board of Directors

Commerce s articles of incorporation require shareholders to comply with certain prior notice provisions in connection with the nomination of persons to become directors of Commerce. Failure to comply with these provisions may result in the nomination being disregarded.

Community s bylaws contain similar prior notice provisions. Failure to comply with these provisions will result in the nomination being disregarded.

Dissenters Rights

Shareholders of a Nevada banking corporation which will not survive a merger or consolidation are entitled to dissenters rights substantially in the form described in THE MERGER Dissenters Rights.

The dissenters rights available to shareholders of Community, a Nevada corporation, are the same as those available to Commerce shareholders.

Limitation of Personal Liability of Directors and Officers

Nevada state law contains provisions eliminating the personal liability of directors and officers to Community or its shareholders for damages for breach of fiduciary duty as a director or officer, except for acts or omissions involving intentional misconduct, fraud, or a knowing violation of law.

As a Nevada banking corporation, Commerce s directors and officers enjoy a similar limitation of liability.

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INFORMATION ABOUT COMMUNITY AND COMMUNITY BANK OF NEVADA

Community Bancorp

Community Bancorp is the bank holding company for Community Bank of Nevada, a Nevada chartered bank headquartered in Las Vegas. Community, through Community Bank of Nevada, delivers an array of commercial bank products and services with an emphasis on customer relationships and personalized service. At March 31, 2005, Community had total assets of $634 million, gross loans of $410 million, total deposits of $535 million and stockholders equity of $79 million. Measured by total assets, Community is one of the largest publicly-traded Nevada community banks.

Community was formed in 2002, and as a result, Community Bank of Nevada became its wholly owned subsidiary and shareholders of Community Bank of Nevada became shareholders of Community. Community Bank of Nevada was organized in July 1995 by local community leaders and experienced bankers with the mission of providing superior community banking services to the greater Las Vegas area.

Community has five full service branches, four located in Las Vegas and one located in Henderson. In 1995, the first office, now the Rainbow Office, commenced operations. In 1997, the Maryland Parkway Branch opened in central Las Vegas followed by the opening of the Summerlin Branch in 1999. In 2000, the Green Valley Branch opened marking expansion into Henderson, a high growth suburb of Las Vegas. In 2002, Community opened its City Centre Branch in downtown Las Vegas. Community expects to open its sixth branch at the intersection of Interstate 215 and Russell Road in the second half of 2005. Community also recently opened two loan production offices, one in San Diego, California, and the other in Phoenix, Arizona.

Community focuses on meeting the commercial banking needs associated with the population and economic growth of the greater Las Vegas area. Community s customers are generally small- to medium-sized businesses that require highly personalized commercial banking products and services that it delivers with an emphasis on relationship banking. Community believes that its customers prefer locally managed banking institutions that provide responsive, personalized service and customized products. A substantial portion of Community s business is with customers who have long-standing relationships with its officers or directors or who have been referred to Community by existing customers.

Historically, Community has focused its lending activities on commercial real estate loans, construction loans and land acquisition and development loans, which comprised 79.6% of its loan portfolio at March 31, 2005. While this continues to be a large part of its business, Community see significant opportunities in growing its commercial and industrial, or C&I, loans, and Small Business Administration, or SBA, loans. On the deposit side, Community has focused on attracting low cost core deposits, with particular emphasis on growing non-interest bearing demand deposits. Non-interest bearing demand deposits were 24.6% of Community s total deposits at March 31, 2005 compared to 18.1% at December 31, 2000.

Community s most recent significant event is the successful conclusion of its initial public offering (IPO) and concurrent listing of its common stock on the Nasdaq National Market in the fourth quarter of 2004. In the offering Community raised $ 39.3 million, net of expenses, and certain selling shareholders received net proceeds of $16.5 million.

Community s headquarters is located at its downtown branch at 400 South 4th Street, Las Vegas, Nevada 89101 and its telephone number is (702) 878-0700. Community maintains a website at *www.communitybanknv.com.* Information contained on Community s website is not incorporated herein.

Strategy

Community strives to be a high performing community bank holding company for the long-term benefit of its shareholders, customers and employees. The key elements of Community s strategy are to:

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Growth Strategies

Expand its franchise through acquisition or the establishment of new branches or banks in high growth markets, such as the greater Las Vegas area, or similar high growth markets in Arizona and California. Community plans on opening a sixth branch in the second half of 2005 in Las Vegas and its strategic plan currently calls for one additional branch per year through 2009. In addition, Community recently opened two loan productions offices in San Diego, California, and Phoenix, Arizona.

Being a public company with a common stock that is quoted and traded on a national stock market. In addition to providing access to growth capital, Community believes a public currency provides flexibility in structuring acquisitions and will allow Community to attract and retain qualified bankers through equity-based compensation. Community s IPO and concurrent listing on the Nasdaq National Market in the fourth quarter of 2004 helped put this strategy into action.

Expand its commercial and SBA lending portfolio in an effort to diversify its customer base, increase the average maturity of Community s loan portfolio and increase non-interest income. Community expects to diversify its commercial loan portfolio by participating in select syndicated credits originated by other lenders and to expand its SBA portfolio by expanding Las Vegas operations, as well as by opening additional loan production offices in other high growth markets.

Continue to grow Community s real estate lending activities by providing competitive commercial real estate loans, construction loans, and land acquisition and development loans. With the additional capital provided by Community s IPO, it has the ability to originate larger loans to new and existing customers.

Hire and retain, experienced and qualified employees to support planned expansion of Community s business activities. In the short term, Community is focused on expanding its SBA team.

Operating Strategies

Maximize revenue opportunities by using a pricing model together with specific incentives that increases the overall profitability of each customer relationship. The pricing model assists Community s lenders and business development officers in achieving a hurdle rate that maximizes return on equity associated with each customer. For loans, the model has placed added emphasis on risk and return. For deposits, the model has helped drive an increase in non-interest bearing deposits, as well as focus Community on actively managing its certificate of deposit, or CD, program to decrease the percentage of its deposit mix represented by CDs.

Enhance Community s risk management functions by pro-actively managing sound procedures and committing experienced human resources to this effort. Community seek (i) to identify risks in all functions of its business, including credit, operations and asset and liability management, (ii) to evaluate such risks and their trends and (iii) to adopt strategies to manage such risks based upon its evaluations.

Maintain high asset quality by continuing to utilize rigorous loan underwriting standards and credit risk management practices.

Continue to actively manage interest rate and market risks by closely matching the volume and maturity of Community s rate sensitive assets to its interest sensitive liabilities in order to mitigate adverse effects of rapid changes in interest rates on either side of Community s balance sheet.

Market Area

Community operates in Clark County, Nevada. Community believes that the economic growth in Clark County, the population growth and the accompanying need for infrastructure presents the following significant opportunities:

Deposit Growth Opportunities. According to the FDIC, deposits in Clark County grew from $11 billion to $29 billion between June 1999 and June 2004, a compound annual growth rate of 20%.

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Loan Growth Opportunities. Increased residential and commercial development as well as the infrastructure growth in Clark County has offered more and larger lending opportunities for Community.

For a detailed discussion of Community s market area see INFORMATION ABOUT MARKET AREA, COMPETITION, AND SUPERVISION AND REGULATION Market Area.

Business Activities

Community provides banking services throughout its primary market area to small-to medium-sized businesses (generally representing businesses with annual revenues of less than $50 million). Many of these small- to medium-sized businesses provide goods and services, directly or indirectly, to the development of the infrastructure in and around the greater Las Vegas area that services the growing population. Community s customers include developers, contractors, professionals, distribution and service businesses, local residential home builders and manufacturers. Community also provides a broad range of banking services and products to individuals, including personal checking and savings accounts and other consumer banking products, including electronic banking.

In 2003, Community implemented a pricing model that places an equal emphasis on the management of the pricing of both loans and deposits and measures the overall profitability of a relationship. Community believes that, along with other marketing efforts, the use of this pricing model has made a significant contribution to the growth of lower cost deposits, and more particularly, the growth of non-interest bearing deposits. Prior to 2003, Community priced almost exclusively according to market competitive factors. Community believes that such a practice did not adequately address risk and return.

Both lending personnel and the business development staff who have a primary emphasis on deposit growth utilize this program to determine pricing for products. Some of the applications are summarized below:

Lending. Senior management establishes a minimum return on equity hurdle rate for each particular loan type, which is influenced by the pricing of credit and the revenue derived from various deposits generated. Community pays incentives to its lenders based on maximizing the relationship return on equity. Community has found that the lenders have become far more conscientious about pricing credit, as well as their ability to secure low cost deposits. Additionally, the model has placed added emphasis on risk and return. The credit risk rating influences the costs associated with the credit and therefore influences pricing when additional risk is assumed.

Deposits. Community has a very active business development culture and has developed a specific incentive plan for deposit gathering. The pricing model takes into account the interest expense associated with a deposit relationship and through transfer pricing helps determine the profitability of a deposit relationship. Since non-interest bearing deposits have no interest expense associated with them, the return on equity is high for that product and thus, the payout incentive to the business development staff is high.

Management has instructed all lending personnel to utilize variable rate pricing of loans whenever possible. A small percentage of borrowers have been granted fixed rate pricing. When fixed rate pricing is extended, two objectives must accompany such a commitment. First, the initial return on equity of the credit commitment must be greater than what would be expected on a variable rate commitment, and, secondly, it is deemed highly probable that the relationship will produce additional revenue opportunities from the utilization of other bank products.

Community originates a variety of types of loans, including commercial real estate loans, secured and unsecured C&I loans, residential real estate loans, SBA loans, and to a lesser extent consumer based loans. In addition to direct loan origination, Community also utilizes its relationships within the banking industry to participate in syndicated loans and participation loans that fit its criteria. The amount of Community s syndicated loans, at March 31, 2005 constituted less than 2% of its total loan portfolio and the amount of its participation

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loans at March 31, 2005 constituted approximately 15% of Community s total loan portfolio. When Community considers the purchase of an interest in a syndicated loan or a loan participation, Community applies its existing policies and procedures to the credit. Proven cash flow and an independent secondary source of repayment remain as the critical measurements of credit risk.

Once Community has booked an interest in a loan syndication or purchased a participation interest in a loan, it strives to apply the same monitoring and credit quality assessment as it does for credits that it originates. These monitoring and assessment procedures include review of information supplied by borrowers pursuant to loan agreements as well as both internal and external loan review of the credit. To date, Community has not suffered any loss on a loan purchased from another originator. Although Community is seeking to expand the amount of syndicated loans in its portfolio, Community expects that its own originations will continue to be the primary source of loan growth.

Community s customers are generally comprised of the following groups:

Real estate developers in need of land, construction and permanent financing for commercial and residential developments.

Small-to medium-sized businesses in need of secured and unsecured lines of credit or permanent C&I loans.

Professionals and professional firms, such as architectural, engineering and law firms in need of operating facilities.

Community manages its loan portfolio to provide for an adequate return, through its pricing model, but also to provide a diversification of risk. Historically, Community has maintained very high asset quality. Community s lending activities are concentrated in four main categories, as described below.

Commercial Real Estate Loans. Community has a strong focus in the origination of commercial real estate loans. Community s commercial real estate loans fall into three sub-categories raw land, construction and term loans on completed projects. Construction and acquisition and development lending currently constitutes approximately 35% of total commercial real estate loans at March 31, 2005. Raw land loans and term loans on completed projects constituted approximately 15% and 50%, respectively, of total commercial real estate loans at March 31, 2005.

To manage Community s concentration of loans in commercial real estate and the inherently higher risk of construction lending (see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Allowance for Loan Losses), Community seeks diversification through maintaining a broad base of borrowers and by adjusting exposure to property types based on overall strength in a particular sector, which includes a variety of factors such as vacancy trends. During the past several years, the retail segment of the market has been strong, with low vacancies, while other segments of the CRE market have experienced weaker fundamentals. Currently, a large portion of Community s portfolio is in the retail sector. As of March 31, 2005, Community s CRE loan portfolio, including construction loans, was comprised of the following property types:

Loan Type	$ Outstanding	% of Loan Portfolio
	(In million)	

Retail	$ 118	29%
Office	$ 81	20%
Industrial	$ 28	7%
Hotel/Casino	$ 24	5%
Restaurant/Bar	$ 8	2%
Other	$ 12	3%
Total	$ 271	66%

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Community generally underwrite loans with a minimum equity position of 25% (or a maximum loan to value of 75%) and a minimum debt coverage ratio of 1.25:1. Community also seeks to lend to developers who have already entered into leases for the subject property, however, Community is willing to provide loans for speculative development but only if the borrower has the ability to service the debt without the anticipated success of the subject property and can demonstrate such ability to Community s satisfaction.

Community has also increased its focus on owner occupied real estate. Consistent with its strategic plan to reduce cost of funds, Community has found this often includes many core business opportunities with professionals such as attorneys, engineers, architects, doctors and dentists. These types of businesses also provide reliable depository relationships.

Community has been active in both the construction lending and permanent financing of its CRE portfolio. Construction and raw land loans are short term in nature and generally do not exceed 18 months. Permanent commitments are primarily restricted to no greater than 10 year maturities with rate adjustment periods every 36 months when fixed commitments exist.

Commercial and Industrial Loans. Community offers a variety of commercial loan products including lines of credit for working capital, term loans for capital expenditures and commercial stand-by letters of credit. As of March 31, 2005, Community had $59 million of C&I loans outstanding and C&I commitments of $41 million. Lines of credit typically have a 12 month commitment and will be secured by the trading asset that is being financed. In cases of larger commitments, a borrowing base certificate may be required to determine eligible collateral and advance parameters. Term loans seldom exceed 60 months, but in no case, exceed the depreciable life of the tangible asset being financed.

Community is a Preferred Lender with the Small Business Administration, or SBA. Community s strategic plan calls for a much greater future commitment to this product line. Community offers both SBA 7a loans and SBA 504 programs. Under the 7a Program, loans up to $150,000 are guaranteed up to 85% by the SBA. Under current SBA guidelines, 7a loans in excess of $150,000 but not in excess of $2,000,000 are guaranteed up to 75% by the SBA. Generally, this guarantee may become invalid only if the loan does not meet the SBA documentation guidelines. Community just recently elected to sell the guaranteed portion of its 7a loans. Subject to balance sheet needs, Community anticipates strong growth in this product and a continued philosophy to increase non interest income by selling these assets. Community will continue to service the loans for a fee.

In 2002, Community introduced its Express Loan program. All commercial credits less than $200,000 are underwritten by this department. Community utilizes credit scoring software to assist it with the credit decision process. This has resulted in far greater efficiency. Borrowers realize a 24-hour turn around time on loan decisions and have been willing to pay a premium for this service.

Residential Real Estate Loans. The majority of new home construction in the greater Las Vegas area is conducted by the large national/regional home builders that have direct access to capital markets. Community has selectively participated with some of the small local home builders that continue to have success with in-fill parcels that have demonstrated high demand. As of March 31, 2005, Community s residential real estate loan portfolio was comprised of $77 million in loans, including both acquisition and development loans, $18 million in raw land loans and new home construction totaling $38 million. These commitments extend up to 18 months and include both acquisition and development loans and new home construction. Community does not participate in permanent mortgage financing in this segment, because it considers single family mortgage lending to be a commodity business.

Consumer Lending. Community has used consumer credit as a complementary product to its primary product line. Community s approach to consumer credit is as a value added product for business customers.

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Community offers competitively priced products with an emphasis in the marketing towards the business owner and the work force of that client. Community s product line includes home equity credit lines, automobile loans, personal lines of credit and home improvement loans.

Lending and Credit Policies

The Board of Directors of Community Bank of Nevada establishes its lending policies. The three key principles of its lending policies are (1) debt service coverage, (2) risk rating system and pricing for risk and (3) managed concentration levels.

Debt Service Coverage. Community s risk management philosophy is to extend credit only when an applicant has proven cash flow to service the proposed debt. Additionally, it is generally necessary for the applicant to demonstrate an independent secondary source of repayment.

Risk Rating System and Pricing for Risk. Community has a risk rating system of eight categories that clearly define the fundamentals for each risk rating. At the time of origination, the underwriter assigns a risk rating and then it is reviewed periodically by credit administration. Community uses this system to manage levels of risk, pricing and forward thinking strategy for future extensions of certain loan categories. Community introduced a relationship pricing model in 2003, which integrates the risk rating system and promotes the origination of highly profitable loans.

Managed Concentration Levels. Community has established minimum levels of return on equity that varies by product type and concentration levels. Community actively manages its pricing model, so that it has control over concentrations in certain types of credits, so that if it nears a policy guideline, it can adjust the hurdle rates based on perceived concentration risk.

If a credit falls outside of the guidelines set forth in Community s lending policies, the loan is not approved until it is reviewed by a higher level of credit approval authority. Credit approval authority has three levels, as listed below from lowest to highest level. Based on the historical strong emphasis on business development, the Board of Directors of Community Bank of Nevada has intentionally kept approval authorities low to assure a high degree of secondary review for a credit consideration. Management believes that the current authority levels provide satisfactory management and a reasonable percentage of secondary review. Any conditions placed on loans in the approval process must be satisfied before credit administration will release loan documentation for execution. Community s credit administration works entirely independent of loan production and has full responsibility for all loan disbursements.

Individual Authorities. Certain individual officers have approval authority up to $1 million for secured loans and up to $150,000 for unsecured transactions. The Chief Executive Officer, Chief Operating Officer and the Chief Credit Officer have approval authority of up to $2,000,000 for secured loans and up to $750,000 for unsecured loans.

Senior Loan Committee. The Senior Loan Committee consists of the Chairman of the Board, Chief Executive Officer, the Chief Operating Officer, Chief Credit Officer and the Managers of Commercial Lending and Commercial Real Estate. It has approval authority up to $6,000,000 for secured loans and up to $1,500,000 for unsecured loans.

Board Loan Committee. The Board Loan Committee consists of all of the members of the Board of Directors of Community Bank of Nevada. It has approval authority up to Community s legal lending limit, which was approximately $14 million at March 31, 2005.

Loan Grading and Loan Review. Community seeks to quantify the risk in its lending portfolio by maintaining a loan grading system consisting of eight different categories (Grades 1-8). The grading system is used to determine, in part, the provision for loan losses. The first four grades in the system are considered satisfactory. The other four grades range from a Watch/Pass category to a Doubtful category. These four grades are further discussed below under the section subtitled Classified Assets .

The originating loan officer initially assigns a grade to each credit as part of the loan approval process. Such grade may be changed as a loan application moves through the approval process. In addition to any dollar limitations that may require higher credit approval authority, each loan that is graded Watch/Pass or worse requires prior approval of the Board of Directors of Community Bank of Nevada.

After funding, all loans of $250,000 or over are reviewed by the executive vice president/credit administrator who may assign a different grade to the credit. The grade on each individual loan is reviewed at least annually by the loan officer overseeing the credit. The Board of Directors of Community Bank of Nevada reviews monthly the aggregate amount of all loans graded as special mention, substandard or doubtful, and each individual loan over $200,000 that has a grade within such range. Additionally, changes in the grade for a loan may occur through any of the following means:

- random reviews of the loan portfolio conducted by loan administration;
- annual reviews conducted by an outside loan reviewer;
- bank regulatory examinations;
- monthly action plans submitted to loan administration by the responsible lending officers for each credit graded 5-8; or
- at the monthly credit risk managers meeting if a loan is exhibiting certain delinquency tendencies.

Loan Delinquencies. When a borrower fails to make a committed payment, Community attempts to cure the deficiency by contacting the borrower to seek payment. Habitual delinquencies and loans delinquent 30 days or more are reviewed at the monthly credit risk managers meeting for possible changes in grading.

Classified Assets. Federal regulations require that each insured bank classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, examiners have authority to identify problem assets, and, if appropriate, classify them. Community uses grades 5-8 of its loan grading system to identify potential problem assets and consider substandard and doubtful grades as classified . There were $1.3, $1.5 million, $3.1 million, $4.3 million and $6.4 million in classified loans at March 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001, respectively.

The following describes grades 5-8 of Community s loan grading system:

Watch/Pass Grade 5. Generally these are assets that display negative trends or other causes for concern. This grade is regarded as a transition category. Community will either upgrade the credit if meaningful progress is evident within six months, or downgrade the credit to a more severe grade as appropriate.

Special Mention Grade 6. These assets have potential weaknesses that may result in deterioration of the repayment prospects and, therefore, deserve the attention of management. Usually, these assets are long-term problems that are likely to remain and require management action plans. These loans exhibit an increasing reliance on collateral for repayment.

Substandard Grade 7. These assets are inadequately protected by the current worth and paying capacity of the borrower or of the collateral pledged, if any. Although loss may not be imminent, if the weaknesses are not corrected, there is a good possibility that community will sustain some loss.

Doubtful Grade 8. These assets have all the weaknesses inherent in an asset classified as substandard , with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, condition and values, highly questionable and improbable. At the point where a loss is identified, all or that portion deemed a loss is immediately classified as Loss and charged off.

Risk Management

Community s strategic plan continues to promote a growth rate commensurate with the rapid growth of Southern Nevada. Community is equally committed to maintaining internal controls to manage the risk associated with such growth. Community s Risk Management Committee has defined its most significant risks and measures the trends from low to high. The committee has identified credit risk and operational risk as the two areas that could have the greatest impact on capital.

To mitigate and pro-actively manage these areas of risk, Community has established sound procedures and committed experienced human resources to this effort.

Community has focused on enhancing four functions:

Credit Administration has been significantly enhanced by the addition of Don Bigger as the Chief Credit Administration Officer, who has more than 20 years of banking experience. Further, Credit Administration has been staffed to maintain all credit policies and procedures, loan documentation, disbursement of loan proceeds and to review the integrity of the credit risk rating system.

The credit origination has been significantly enhanced by the recent addition of Bruce Ford as Chief Credit Officer, who has more than 21 years of banking experience, most recently as the Senior Regional Credit Officer for Wells Fargo Bank, Nevada. Mr. Ford has added seven experienced lenders in 2005 which represent over 150 years of experience. They have come to Community Bank of Nevada from the likes of Wells Fargo, Key Bank, Bank One and 1st National Bank of Nevada. This experienced team has contacts with well seasoned, high performing relationships and have a proven ability to adequately assess risk.

Operations support has been significantly enhanced by the addition of an Executive Vice President with more than 20 years of operations experience. The combined talents of this team manage the identified risks such as wires, check fraud and identity theft. Additionally, they have the primary responsibility to assure Community is compliant with all applicable laws and regulations.

The Audit Department has also been expanded under the direction of the Audit Committee. This staff of professionals regularly examine all of the areas of known risk and report the findings to Executive Management and the Audit Committee.

Community believes that the established organization allows management to maintain an accurate understanding of risk levels at all times. With this level of understanding, strategic plans are developed with the necessary risk parameters to adequately protect capital.

Investment Activities

Community s investment strategy is designed to be complementary to and interactive with its other activities (i.e. cash position; borrowed funds; quality, maturity, stability and earnings of loans; nature and stability of deposits; capital and tax planning). The target percentage for

Community s investment portfolio is between 10% to 25% of total assets. Community s general objectives with respect to its investment portfolio are to:

- achieve an acceptable asset/liability gap position (based on its separate policy related to asset/liability management that provides guidance for how investments are to be used to manage asset/liability gaps);
- provide a suitable balance of quality and diversification to its assets;
- provide liquidity necessary to meet cyclical and long-term changes in the mix of assets and liabilities;
- provide a stable flow of dependable earnings;
- maintain collateral for pledging requirements;

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- manage interest rate risk;
- comply with regulatory and accounting standards; and
- provide funds for local community needs.

Investment securities consist primarily of US Agency issues, municipal bonds and mortgage-backed securities. In addition, for bank liquidity purposes, Community uses Fed Funds Sold which are temporary overnight sales of excess funds to correspondent banks.

All of Community s investment securities are classified as available for sale or held to maturity pursuant to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Available for sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and instead reported as a separate component of stockholders equity. Held to maturity securities are those securities that Community has both the intent and the ability to hold to maturity. These securities are carried at cost adjusted for amortization of premium and accretion of discount.

Community s securities portfolio is managed in accordance with guidelines set by its Investment Policy. Specific day-to-day transactions affecting the securities portfolio are managed by the Chief Financial Officer. In accordance with Community s written Investment Policy, all executions also require the prior written approval of the President. These securities activities are reviewed monthly or more often, as needed, by the Investment Committee and are reported monthly to Community s Board of Directors.

Community s Investment Policy addresses strategies, types and levels of allowable investments and is reviewed and approved annually by the Board of Directors. Community s Investment Policy authorizes it to invest in a variety of investment securities, subject to various limitations. It also limits the amount Community can invest in various types of securities, places limits on average life and duration of securities, and limits the securities dealers with whom Community can conduct business.

Concentrations/Customers

No individual or single group of related accounts is considered material in relation to Community s assets or deposits or in relation to overall business. However, approximately 85% of Community s loan portfolio at March 31, 2005 consisted of real estate-secured loans, including commercial loans secured by real estate, construction loans and real estate mortgage loans. Moreover, Community s business activities are focused in the greater Las Vegas area. Consequently, its business is dependent on the trends of this regional economy, and in particular, the commercial and residential real estate markets. At March 31, 2005, Community had 108 loans in excess of $1 million each, totaling $290 million. These loans comprise approximately 11.7% of Community s loan portfolio by number of loans and 70.9% by total loans outstanding. Not including credit card and consumer overdraft lines and purchased participation loans, Community s average loan size is approximately $442,000.

Deposit Products and Other Sources of Funds

Community s primary sources of funds for use in lending and investing activities consist of:

- deposits;
- maturities and principal and interest payments on loans and securities;
- other borrowings; and
- funds down streamed into Community Bank of Nevada, from time to time by Community Bancorp.

Community closely monitors rates and terms of competing sources of funds and utilize those sources it believe to be the most cost effective, consistent with its asset and liability management policies.

Deposits. An important balance sheet component impacting Community s net interest margin is the composition and cost of its deposit base. Community can improve its net interest margin to the extent that growth in deposits can be focused in the less volatile and somewhat more traditional core deposits, or total deposits less

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CDs greater than $100,000, commonly referred to as Jumbo CDs. Community attempts to price its deposit products in order to promote deposit growth and satisfy liquidity requirements and offer a variety of deposit products in order to satisfy customers needs.

Community provides a wide array of deposit products. Community has historically relied upon, and expects to continue to rely upon, deposits to satisfy its needs for sources of funds. Community offers regular checking, savings, NOW and money market deposit accounts; fixed-rate, fixed maturity retail CDs ranging in terms from 30 days to five years; individual retirement accounts and Jumbo CDs. For business customers, Community provides courier service to pick up non-cash deposits, and for those customers that use large amounts of cash, Community arranges for armored car and vault service.

Community s focus is on attracting lower cost core transaction account deposits. Based on average balances, as of March 31, 2005, Community s deposit portfolio was comprised of 26% non-interest bearing deposits, as compared to 26% at December 31, 2004, 24% at December 31, 2003 and 20% at December 31, 2002.

Community intends to continue its efforts at attracting deposits from its business lending relationships in order to reduce its cost of funds and improve its net interest margin. Also, Community believes that it has the ability to attract sufficient additional funding by re-pricing the yields on CDs in order to meet loan demands during times that growth in core deposits differs from loan demand.

In addition to Community s traditional marketing methods, it attracts new clients and deposits by:

- expanding long-term business customer relationships, including referrals from customers, and

- building deposit relationships through branch relationship officers who are compensated based upon the profitability of such relationships.

Other Borrowings. Community may occasionally use its Fed funds lines of credit to support liquidity needs created by seasonal deposit flows, to temporarily satisfy funding needs from increased loan demand, and for other short-term purposes. Community has three Fed funds lines with other financial institutions pursuant to which it can borrow up to $19 million on an unsecured basis. These lines may be terminated by the respective lending institutions at any time.

Community also borrows from the Federal Home Loan Bank, or FHLB, pursuant to an existing commitment based on the value of the collateral pledged (either loans or securities). FHLB borrowings have been only occasional and based upon pricing opportunities.

Employees

Community had a total of 104 full-time and 11 part-time employees at March 31, 2005.

Properties

Community owns the buildings and land for four of its offices. These properties are not subject to any mortgages or encumbrances and consist of the following:

Rainbow Branch located at 1400 S. Rainbow, Las Vegas, Nevada, which is 9,600 square feet.

Maryland Parkway Branch located at 2887 S. Maryland Parkway, Las Vegas, Nevada, which is 5,600 square feet.

Summerlin Branch located at 7676 W. Lake Mead Blvd., Las Vegas, Nevada, which is 9,700 square feet.

Green Valley Branch located at 1441 W. Warm Springs, Henderson, Nevada, which is 5,600 square feet.

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Community leases approximately 10,500 square feet for its City Centre Branch located at 400 South 4th Street, Las Vegas, Nevada. Community s headquarters and administration offices are also located in the City Centre site. The lease is for a ten-year term, expiring August 31, 2012. Community s current monthly rent is $25,308, which increases to $29,063 by the end of the lease.

Community leases approximately 21,566 rentable square feet at $1.73 sq.ft. per month for its office located at the intersection of Russell Road and Interstate 215 in Las Vegas, Nevada. Community plans on opening its sixth office in the second half of 2005. This office will house Community s sixth branch, human resources, operation support, audit and Community s real estate lending department.

Community recently entered into two leases for the new loan production offices in San Diego, California, and Phoenix, Arizona. The total square footage is approximately 500 square feet each and the total cost $1,400 and $1,100 per month for San Diego and Phoenix, respectively.

Although Community s strategic plan currently calls for one additional branch per year from 2005 through 2009, management believes that its existing facilities are adequate for present purposes.

Legal Proceedings

There are no material pending legal proceedings to which Community or Community Bank of Nevada is a party or to which any of its properties are subject. There are no material proceedings known to Community to be contemplated by any governmental authority. Community is involved in a variety of litigation matters in the ordinary course of its business and anticipates that it will become involved in new litigation matters from time to time in the future.

Market For Community s Common Equity And Related Stockholder Matters

Market Information

Community s common stock began trading on the NASDAQ National Market under the symbol CBON on December 10, 2004.

Prior to Community s initial public offering there had been no public market for its common stock. Community s common stock had been traded, from time to time, by individuals on a negotiated basis between the parties. The following table sets forth those trades since January 1, 2003 through December 9, 2004 of which Community has knowledge, including the quarter in which the trades occurred, the aggregate number of shares traded during such quarter and the range of sales price per share:

Quarter of Trade	Number of Shares	Price Per Share

1st 03	114,620	$ 7.00	$8.40
2nd 03	N/A		N/A
3rd 03	3,165	$	9.00
4th 03	N/A		N/A
1st 04	50	$	9.00
2nd 04	3,000	$	9.00
3rd 04	N/A		N/A
October 1, 2004 December 9, 2004	N/A		N/A

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In the initial public offering shares of Community s common stock were sold for $23.00 per share. The following table sets forth the low and high closing prices from December 10, 2004 for the periods indicated.

	Closing Prices	
Period	**Low**	**High**
December 10, 2004 December 31, 2004	$ 27.51	$ 33.00
Quarter of Trade		
1st 05	$ 25.19	$ 29.92
2nd 05	$ 23.55	$ 31.94
3rd thru July 29	$ 31.00	$ 33.30

Holders

As of March 31, 2005, there were approximately 1,200 stockholders of record of Community s common stock. At such date, Community s directors and executive officers owned approximately 17% of its outstanding shares. There are no other classes of common equity outstanding.

Dividends

Community has not declared a cash dividend since 2002 as it has used Community s current and retained earnings to support its rapid and continued growth. Community does not foresee any circumstances in the immediate future in which it would consider paying cash dividends on its common stock. Additionally, in 2004 Community discontinued paying stock dividends.

Management s Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis should be read in conjunction with Community s consolidated financial statements and footnotes to the consolidated financial statements included elsewhere in this proxy prospectus.

Overview

Since Community commenced operations in 1995, it has experienced strong growth and profitability. Community s growth is fueled by the significant population and economic growth of the greater Las Vegas area where it operates. The growth in the greater Las Vegas area has accompanied significant investments in the gaming and tourism industry. The significant population increase has resulted in an increase in the acquisition of raw land for residential and commercial development, the construction of residential communities, shopping centers and office buildings, and the development and expansion of the businesses and professions that provide essential goods and services to this expanded population. Community s results have been influenced by the following strategies; which it implemented in order to benefit from these market factors:

Provide competitive commercial real estate loans, construction loans and land acquisition, development loans, and C&I loans to high quality borrowers;

Focus and commitment to profitable banking relationships;

Encourage business development of profitable customer relationships with a pay for performance compensation culture;

Reduce cost of funds by attracting a higher share of non-interest bearing deposit accounts;

Maintain disciplined controls over non-interest expense in order to consistently grow on a profitable basis;

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Strengthen underwriting standards and credit administration functions as well as increase lending capacity by the growth in capital base; and

Add seasoned professionals to the staff with banking expertise, local market knowledge and a network of client relationships.

Key Financial Measures

	Three Months Ended March 31,		At or for the Years Ended December 31,		
	2005	2004	2004	2003	2002
Net Income	$ 2,382	1,449	$ 5,421	$ 5,215	$ 4,725
Basic earnings per share	0.35	0.31	1.13	1.13	1.03
Diluted earnings per share	0.35	0.31	1.10	1.10	1.01
Total Assets	634,401	480,634	573,961	463,431	400,571
Gross Loans	409,832	351,273	403,270	350,082	293,535
Total Deposits	535,112	418,842	476,252	403,713	351,584
Net interest margin	4.49%	4.88%	4.65%	4.72%	4.97%
Efficiency Ratio	49.57%	58.94%	64.7%	56.6%	50.3%
Return on average assets	1.55%	1.24%	1.04%	1.19%	1.33%
Return on average equity	12.09%	17.33%	15.1%	17.8%	19.1%

Key Factors in Evaluating Financial Condition and Operating Performance

On December 10, 2004 Community completed its initial public offering, its stock began trading on Nasdaq and it became subject to the reporting requirements of the SEC. As a reporting company Community will now incur expenses for compliance with the various SEC and Nasdaq rules and regulations. Impacting Community s results last year was a significant unusual charge to expense in the fourth quarter of 2004 related to its Stock Appreciation Rights Plan. Upon completion of the initial public offering, and thereafter, the expense related to the Community s Stock Appreciation Rights Plan will be based on the fair value of Community s common stock. Based on the fair value of its Common Stock as of December 31, 2004, Community accrued an additional $1.9 million of expenses ($1.3 million net of taxes) in the fourth quarter.

As a community bank holding company, Community focuses on several key factors including:

Return to Shareholders;

Return on Average Assets;

Asset Quality;

Asset Growth; and

Operating Efficiency.

Return to Shareholders. Community s return to shareholders is measured in the form of return on average equity, or ROE. Community s net income increased $206 thousand, or 4.0%, to $5.4 million for the year ended December 31, 2004 from $5.2 million for the same period 2003. Net income increased due to an increase in net interest income and a decrease in loan loss provision, partially offset by an increase in operating expenses. Basic EPS as of December 31, 2004 of $1.13 was equivalent to December 31, 2003. Diluted EPS of $1.10 as of December 31, 2004 was also equivalent to December 31, 2003. With the closing of the initial public offering and the additional capital Community s ROE decreased to 15.1% at December 31, 2004 compared to 17.8% for the same period in 2003. Community s average ROE for the three years ended December 31, 2004 was 17.3%.

Community s net income increased 64.4%, to $2.4 million for the quarter ended March 31, 2005 from $1.4 million for the same period 2004. Net income increased due to an increase in net interest income and a decrease

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in loan loss provision. Basic and Diluted EPS as of March 31, 2005 was $0.35, up from $0.31 as of March 31, 2004. This increase in EPS was partially due to an increase in income of $328,000 before taxes for the adjustment to the accrual for stock appreciation rights based on the fair value of Community stock as of March 31, 2005. With the additional capital from the initial public offering in December of 2004, Community s ROE decreased to 12.1% at March 31, 2005 compared to 17.3% for the same period in 2004.

Return on Average Assets. Community s return on average assets, or ROA, is a measure it uses to compare its performance with other banks and bank holding companies. Community s ROA at December 31, 2004 was 1.04% compared to 1.19% for the same period 2003. The decrease in ROA is primarily due to the unusual expense of $1.9 million ($1.3 net of tax effect) in the fourth quarter 2004 relating to the Community s Stock Appreciation Rights Plan. Pursuant to the Plan, prior to the public offering, the exercise price was based on book value. Upon completion of the initial public offering, and thereafter, expense related to the Company s SARs is based on the fair value of the Company s common stock. Community s ROA at March 31, 2005 was 1.55% compared to 1.24% for the same period 2004.

Asset Quality. For all banks and bank holding companies, asset quality has a significant impact on the overall financial condition and results of operations. Asset quality is measured in terms of non-performing loans and assets as a percentage of total loans and total assets, and net charge-offs as a percentage of average loans. These measures are key elements in estimating the future earnings of a company. Non-performing loans totaled $1.0 million as of December 31, 2004 compared to $2.3 million at December 31, 2003. Non-performing loans as a percentage of total loans decreased to 0.24% as of December 31, 2004 compared to 0.66% at December 31, 2003. Non-performing assets were $3.2 million as of December 31, 2004 compared to $3.5 million as of December 31, 2003. Non-performing assets as a percent of total assets were 0.55% as of December 31, 2004 compared to 0.76% at December 31, 2003. Net charge-offs to average loans were 0.05% as of December 31, 2004 as compared to 0.31% for the same period 2003. The average net charge-offs to average loans for the three years ended December 31, 2004 was .24%.

Non-performing loans totaled $914 thousand as of March 31, 2005 compared to $3.9 million at March 31, 2004. Non-performing loans as a percentage of total loans decreased to 0.22% as of March 31, 2005 compared to 1.11% at March 31, 2004. Non-performing assets were $914 thousand as of March 31, 2005 compared to $5 million as of March 31, 2004. Non-performing assets as a percent of total assets were 0.14% as of March 31, 2005 compared to 1.03% at March 31, 2004. Net charge-offs to average loans were 0% for March 31, 2005 and 2004.

Asset Growth. As revenues from both net interest income and non-interest income are a function of asset size, the continued growth in assets has a direct impact on increasing net income and EPS. The majority of Community s assets are loans, and the majority of its liabilities are deposits, and therefore the ability to generate loans and deposits are fundamental to its asset growth. Total assets increased 23.9% during 2004 from $463 million as of December 31, 2003 to $574 million as of December 31, 2004 and grew 19.7% on a compound annual growth rate, or CAGR, basis between December 31, 2002 and December 31, 2004. Total deposits increased 18.0% to $476 million as of December 31, 2004 compared to $404 million as of December 31, 2003 and had a CAGR of 16.4% between December 31, 2002 and December 31, 2004. Gross loans increased 15.2% to $403 million as of December 31, 2004 compared to $350 million as of December 31, 2003. Loans had a CAGR of 17.2% between December 31, 2002 and December 31, 2004.

Total assets increased 32% to $634 million as of March 31, 2005 from $480 million as of March 31, 2004. Total deposits increased 28% to $535 million as of March 31, 2005 compared to $419 million as of March 31, 2004. Gross loans increased 17% to $410 million as of March 31, 2005 compared to $351 million as of March 31, 2004.

Operating Efficiency. Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. Community s efficiency ratio (operating expenses divided by net interest

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income plus non-interest income) increased to 64.7% for 2004 compared to 56.6% for the same period in 2003. Community s average efficiency ratio for the three years ended December 31, 2004 was 57.2%. The increase in the efficiency ratio was caused by the unusual expense related to the SARs. Community s efficiency ratio improved, decreasing to 49.6% for the first quarter of 2005 compared to 58.9% for the same period in 2004.

Critical Accounting Policies

Community s accounting policies are integral to understanding the financial results reported. Community s most complex accounting policies require management s judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. Community has established detailed policies and control procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of Community s current accounting policies involving significant management valuation judgments.

Allowance for Loan Losses. The allowance for loan losses represents Community s best estimate of the probable losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries.

Community evaluates its allowance for loan losses monthly. Community believes that the allowance for loan losses, or ALLL, is a critical accounting estimate because it is based upon management s assessment of various factors affecting the collectibility of the loans, including current economic conditions, past credit experience, delinquency status, the value of the underlying collateral, if any, and a continuing review of the portfolio of loans. For a discussion of the allowance and our methodology, see Financial Condition Allowance for Loan Losses.

Like all financial institutions, Community maintains an ALLL based on a number of quantitative and qualitative factors, including levels and trends of past due and non-accrual loans, asset classifications, loan grades, change in volume and mix of loans, collateral value, historical loss experience, peer group loss experience, size and complexity of individual credits and economic conditions. Provisions for loan losses are provided on both a specific and general basis. Specific allowances are provided for impaired credits for which the expected/anticipated loss is measurable. General valuation allowances are based on a portfolio segmentation based on risk grading, with a further evaluation of various quantitative and qualitative factors noted above.

Community incorporates statistics provided through the FDIC regarding loss percentages experienced by banks in the western United States, as well as an internal five-year loss history to establish potential risk based on collateral type securing each loan. As an additional comparison, Community examines local peer group banks to determine the nature and scope of their losses to date. Such examination provides a geographic-and size-specific flavor for trends in the local banking community. Finally, Community closely examines each credit graded Special Mention and below to individually assess the appropriate loan loss reserve for a particular credit. See Information about Community and Community Bank of Nevada Business Activities Lending and Credit Policies for further description of Community s grading system.

Community periodically reviews the assumptions and formulae by which additions are made to the specific and general valuation allowances for losses in an effort to refine such allowances in light of the current status of the factors described above.

Although Community believes the levels of the allowance as of March 31, 2005, December 31, 2004 and 2003, were adequate to absorb probable losses in the loan portfolio, a decline in local economic, or other factors, could result in increasing losses that cannot be reasonably predicted at this time.

Available for Sale Securities. Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires that available-for-sale securities be carried at fair value.

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Community believes this is a critical accounting estimate in that the fair value of a security is based on quoted market prices or if quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments Management utilizes the services of a reputable third party vendor to assist with the determination of estimated fair values. Adjustments to the available-for-sale securities fair value impact the consolidated financial statements by increasing or decreasing assets and stockholders equity.

Trends and Developments Impacting Community s Recent Results

Certain trends emerged and developments have occurred that are important in understanding Community s recent results and that are potentially significant in assessing future performance.

Diversification of the loan portfolio. After significant loan growth from year to year since inception, Community s loan growth rates of 1.6% for the first quarter of 2005 and 15.19% for 2004 was lower when compared to historical results. This occurred despite Community generating a high volume of new loans and new loan commitments. Community originated $49 million in new loans in the first quarter of 2005 compared to $38 million during the same period in 2004, and $370 million in new loans during 2004 compared to $249 million during 2003. The decrease in its loan growth rate resulted in part from the continuation of historically low interest rate levels causing significant borrower refinancing of commercial real estate and one to four single family residence loans. In addition, rapidly increasing values for raw land in the greater Las Vegas area motivated many of Community s customers to sell their properties and prepay their loans rather than develop them as initially planned. Historically, Community would often finance land acquisition loans, which in turn would generate construction and permanent financing loans for the same parcel. As a result of these changes, Community made a strategic decision to lower its exposure to land loans until values stabilize.

Additionally, during 2004, Community engaged in a campaign to identify and restructure a significant portion of the loan portfolio in order to slow the pace of refinancing activity to a level more consistent with desired growth rates, portfolio yields and market risk profile. Community decided to seek greater diversification in the loan portfolio by expanding its commercial loan portfolio and enhancing generation of SBA loans. Such actions are expected to expand Community s customer base, increase the average maturity of the loan portfolio and diversify lending risk.

These two strategies did not yet have a material impact on Community s results for the year ended December 31, 2004 and Community expects that the diversification of its loan portfolio will be a multi-year task.

Restructuring of deposit mix. The ratio of Community s average CDs as a percentage of average total deposits decreased to 23.6% for the period ended March 31, 2005 from 34.4% in the prior year.

During 2003, Community began using a new loan and deposit pricing model to attract lower cost deposits and decrease our reliance on CDs. Community also initiated an incentive plan for its business development officers that rewarded profitable relationships, a key component of which is attracting non-interest-bearing demand deposits. The result was a broad decline in the average rates paid on deposit balances, as well as a change in deposit mix. Community expects to continue to emphasize the growth of demand and other core deposits as part of its pricing model and as part of its relationship banking emphasis.

Asset sensitivity. Management uses various modeling strategies to manage the repricing characteristics of Community s assets and liabilities. These models contain a number of assumptions and can not take into account all the various factors that influence the sensitivities of Community s assets and liabilities. Despite these limitations, most of its models at March 31, 2005 indicated that Community s balance sheet was asset sensitive. This means that a larger amount of interest sensitive assets will reprice within certain time horizons than will interest sensitive liabilities. Being asset sensitive means generally that in times of rising interest rates, a company s net interest margin will increase. It also means that in times of falling interest rates, such as experienced from 2000 to 2003, a company s net interest margin is generally compacted. Community expects that, if market interest rates continue to rise, its net interest margin and net interest income will be favorably impacted. See Quantitative and Qualitative Disclosure about Market Risk.

Impact of expansion on non-interest expense. Community plans on opening its sixth office in the early part of the third quarter of 2005, at which time it anticipates a significant increase in occupancy and equipment expense. The new office will consist of 21,566 rentable square feet at $1.73 sq. ft. per month. The new office will house our sixth branch, human resources, operation support, audit and our real estate lending department.

Additionally, as a result of being a public company, other non-interest expense items, including professional expenses and other costs related to compliance with the reporting requirements of the securities laws and compliance with the Sarbanes-Oxley Act of 2002, will increase significantly.

Unusual expense associated with SARs. Community has 109,673 outstanding SARs as of March 31, 2005. Each right gives the grantee the right to receive a cash payment from Community equal to the excess of the exercise price over the grant price. A significant majority of these rights were granted in 2000 and fully vest and expire in 2005. Pursuant to the SARs Plan, upon completion of the public offering the exercise price was converted from book value to the fair value of the Company s common stock. As of March 31, 2005, the total amount included in accrued expenses relating to the SARs plan was approximately $2.1 million and is based on the fair value of the Company s common stock as of March 31, 2005. Of the $2.1 million, $1.9 million was recorded during December, 2004. Future expenses associated with Community s SARs plan will be significantly impacted by the value of its common stock.

Results of Operations

Community s results of operations depend primarily on net interest income, which is the difference between interest income and interest expense. Interest income is the earnings Community receives on interest earning assets, such as loans and investments, and interest expense is the expense it incurs on interest bearing liabilities, such as interest bearing deposits and other borrowings. Factors that determine the level of net income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, fee income, non-interest expense, the level of non-performing loans and other non-earning assets, and the amount of non-interest bearing liabilities supporting earning assets. Non-interest income includes service charges and other deposit related fees, and non-interest expense consists primarily of employee compensation and benefits, occupancy, equipment and depreciation expense, and other operating expenses.

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Period Ended March 31, 2005 Compared to Period Ended March 31, 2004

	Quarter Ended March 31,		
	2005	2004	Increase (Decrease)
	(Dollars in thousands, except per share data)		
Consolidated Statement of Earnings Data:			
Interest income	$ 8,706	$ 7,059	$ 1,647
Interest expense	2,176	1,622	554
Net interest income	6,530	5,437	1,093
Provision for loan losses		222	(222)
Net interest income after provision for loan losses	6,530	5,215	1,315
Non-interest income	376	369	7
Non-interest expense	3,423	3,422	1
Net income before income taxes	3,483	2,162	1,321
Provision for income taxes	1,101	713	388
Net income	$ 2,382	$ 1,449	$ 933
Earnings per share basic	$ 0.35	$ 0.31	$ 0.04
Earnings per share diluted	$ 0.35	$ 0.31	$ 0.04

Net Interest Income. Net interest income, the Company s largest source of operating income, is derived from interest, dividends and fees received on interest earning assets, less interest expense incurred on interest bearing liabilities. The most significant impact on the Company s net interest income between periods is derived from the interaction of changes in the volume of and rates earned or paid on interest earning assets and interest bearing liabilities (spread). The volume of loans, investment securities and other interest earning assets, compared to the volume of interest bearing deposits and indebtedness, combined with the spread, produces changes in the net interest income between periods.

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The following table presents, for the periods indicated, condensed average balance sheet information for the Company, together with interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities.

	Three Months Ended March 31,					
	2005			2004		
	Average Balance	Interest	Average Yield or Cost (7)	Average Balance	Interest	Average Yield or Cost (7)
	(dollars in thousands)					
Assets						
Interest earning assets:						
Loans (1) (2) (3)	$ 405,272	$ 7,355	7.26%	$ 353,012	$ 6,397	7.25%
Investment Securities Taxable	63,974	597	3.73%	44,400	371	3.34%
Investment Securities Non-taxable (3)	22,495	212	3.77%	23,269	220	3.78%
Federal funds sold	87,205	533	2.44%	23,875	58	0.97%
Other investments (4)	2,712	9	1.33%	1,240	13	4.19%
Total interest-earning assets	581,658	8,706	5.99%	445,796	7,059	6.33%
Non-earning assets:						
Cash and due from banks	15,756			13,449		
Unearned loan fees	(2,083)			(1,528)		
Allowance for loan losses	(6,127)			(5,499)		
Other assets	23,541			13,797		
Total assets	$ 612,745			$ 466,015		
Liabilities and Stockholders Equity						
Interest-bearing Liabilities:						
Deposits						
Interest-bearing demand	$ 21,692	$ 47	0.87%	$ 14,988	$ 12	0.32%
Money Market	232,895	1,155	1.98%	140,283	442	1.26%
Savings	5,595	7	0.50%	5,536	2	0.14%
Time certificates of deposit	121,482	733	2.41%	139,513	957	2.74%
Total interest-bearing deposits	381,664	1,942	2.04%	300,320	1,413	1.88%
Short-term borrowings	171	5	11.70%	10,002	30	1.20%
Junior subordinated debt	15,464	229	5.92%	15,464	179	4.63%
Total interest-bearing liabilities	397,299	2,176	2.19%	325,786	1,622	1.99%
Non-interest-bearing liabilities						
Demand deposits	132,606			104,993		
Other liabilities	4,025			1,786		
Total liabilities	533,930			432,565		
Stockholders equity	78,815			33,450		
Total liabilities and stockholders equity	$ 612,745			$ 466,015		

Net interest income	$ 6,530	$ 5,437
Net interest spread (5)	3.80%	4.34%
Net interest margin (6)	4.49%	4.88%

(1) Includes average non-accrual loans of $940 thousand in 2005 and $2.7 million in 2004.
(2) Net loan fees of $786 thousand and $718 thousand are included in the yield computations for 2005 and 2004, respectively.
(3) Yields on loans and securities have not been adjusted to a tax-equivalent basis.

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(4) Includes Federal Reserve Bank stock, Federal Home Loan Bank stock and Pacific Coast Bankers Bank stock.
(5) Net interest spread represents the average yield earned on interest earning assets less the average rate paid on interest bearing liabilities.
(6) Net interest margin is computed by dividing net interest income by total average earning assets.
(7) Shown on an annualized basis.

Net interest income increased $1.1 million, or 20.1%, to $6.5 million for the three months ended March 31, 2005 as compared to $5.4 million for the same period in 2004. This increase is primarily due to an increase in the average balance of fed funds and securities, and higher interest rates on fed funds, securities and loans. Increases in interest income were partially offset by higher funding costs due to increases in market interest rates. The net interest margin ratio declined to 4.49% for the three months ended March 31, 2005 as compared to 4.88% for the same period in the prior year. This decline was due to a larger than normal balance in fed funds for the quarter retained in anticipation of funding requirements over the short term.

The table below sets forth, for the periods indicated, a summary of the changes in interest income and interest expense and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates.

	2005 compared with 2004			
	Net Change	Rate	Volume	Mix
	(In thousands)			
Loans	$ 958	$ 10	$ 947	$ 1
Investment Securities Taxable	226	43	164	19
Investment Securities Non-taxable	(8)	(1)	(7)	
Federal funds sold	475	88	154	233
Other investments	(4)	(9)	15	(10)
Total interest income	1,647	131	1,273	243
Interest expense:				
Interest-bearing demand	35	20	5	10
Money Market	713	254	292	167
Savings	5	5		
Time certificates of deposit	(224)	(115)	(124)	15
Short-term borrowings	(25)	262	(29)	(258)
Junior subordinated debt	50	50		
Total interest expense	554	476	144	(66)
Net interest income	$ 1,093	$ (345)	$ 1,129	$ 309

Provision for Loan Losses. Community performs a quarterly assessment of the risks inherent in its loan portfolio, as well as a detailed review of each significant asset with identified weaknesses. Based on the most recent analysis of the allowance for loan losses, and a thorough review using segmentation, risk grading, peer group, and economic conditions analyses, and considering the mitigating factors of each method, it is believed that the segmentation methodology more accurately reflects embedded risks inherent in the loan portfolio for the quarter ended March 31, 2005. In light of this evaluation, no provision was taken during the quarter ended March 31, 2005.

Noninterest Income. Community s principal sources of noninterest income include service charges and other income, bank owned life insurance (BOLI); and gain/(loss) on sale of assets. Noninterest income increased $7 thousand, or 1.9%, to $376 thousand for the three months ended March 31, 2005 as compared to $369 thousand for the same period in 2004. The increase was primarily due to a $124 thousand increase in cash surrender value which is partially offset by the decrease in loan brokerage and referral fees.

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Noninterest Expense. Noninterest expense was $3.4 million for the three months ended March 31, 2005 and 2004. The first quarter of 2005 showed an increase in salary and employee benefit expense, which can be attributed to an increase in the areas of lending and operations. The number of Full Time Equivalent employees increased to 111 at March 31, 2005 compared to 104 at March 31, 2004. In addition to general staffing of the various departments, Community was successful in recruiting a Chief Credit Officer in January, 2005. Professional fees increased $215 thousand, or 330.8%, to $280 thousand for the three months ended March 31, 2005 as compared to $65 thousand for the same period in 2004. Professional fees related to services rendered by our accountants, legal counsel and consultants have increased in order to ensure compliance with the laws and regulations that Community is subject to as a public company. The 2005 increase in salaries and benefits and professional fees was offset by a $328 thousand adjustment to the accrual for stock appreciation rights based on the fair value of Community s stock as of March 31, 2005, and a gain on the sale of three foreclosed properties totaling $214 thousand.

Income Tax Expense. Community s effective federal income tax rate was 32% and 33% for the three months ended March 31, 2005 and 2004, respectively.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

	Year Ended December 31,		
	2004	2003	Increase (Decrease)
	(Dollars in thousands, except per share data)		
Consolidated Statement of Earnings Data:			
Interest income	$ 30,038	$ 27,143	$ 2,895
Interest expense	6,862	7,453	(591)
Net interest income	23,176	19,690	3,486
Provision for loan losses	922	1,723	(801)
Net interest income after provision for loan losses	22,254	17,967	4,287
Non-interest income	1,489	1,563	(74)
Non-interest expense	15,946	12,020	3,926