

Community Bancorp
Form 10-Q
August 08, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000 51044

**COMMUNITY BANCORP
(Exact name of registrant as specified in its charter)**

**Nevada
(State or other jurisdiction of incorporation)**

**01-0668846
(I.R.S. Employer Identification No.)**

**400 South 4th Street, Suite 215, Las Vegas, NV
(Address of principal executive offices)**

**89101
(Zip Code)**

(702) 878 0700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Class
Common Stock, \$0.001 par value

Outstanding as of July 31, 2008
10,250,986 shares

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PART I FINANCIAL INFORMATION

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COMMUNITY BANCORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2008	December 31, 2007
	(In thousands, except share data)	
ASSETS		
Cash and due from banks	\$ 13,159	\$ 19,243
Interest bearing deposits in other banks	791	141
Federal funds sold	447	20
Cash and cash equivalents	14,397	19,404
Securities available for sale, at fair value	61,161	88,217
Securities held to maturity, at amortized cost (fair value of \$645 as of June 30, 2008 and \$817 as of December 31, 2007)	635	801
Required equity investments, at cost	12,335	14,014
Loans, net of allowance for loan losses of \$28,050 as of June 30, 2008 and \$17,098 as of December 31, 2007	1,473,961	1,396,890
Premises and equipment, net	25,557	27,535
Other real estate owned	11,033	
Accrued interest and dividends receivable	7,083	8,046
Deferred income taxes, net	1,716	1,503
Bank owned life insurance	10,719	10,521
Goodwill	113,636	113,636
Core deposit intangible, net of accumulated amortization of \$3,148 as of June 30, 2008 and \$2,478 as of December 31, 2007	6,811	7,481
Other assets	8,780	5,473
Total assets	\$ 1,747,824	\$ 1,693,521
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits:		
Non-interest bearing	\$ 163,551	\$ 170,725
Interest bearing:		
Demand	706,181	672,567
Savings	22,445	28,465
Time, \$100,000 or more	186,857	171,664
Other time	250,189	187,041
Total deposits	1,329,223	1,230,462

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Borrowings	105,412	146,684
Accrued interest payable and other liabilities	7,190	9,090
Junior subordinated debt	72,166	72,166
Total liabilities	1,513,991	1,458,402
Commitments and Contingencies (Note 9)		
Stockholders' equity		
Preferred stock, par value: \$0.001; shares authorized: 20,000,000 at June 30, 2008 and none at December 31, 2007; shares issued: none		
Common stock, par value: \$0.001; shares authorized: 50,000,000 at June 30, 2008 and 30,000,000 at December 31, 2007; shares issued: 10,604,570 as of June 30, 2008 (including 145,178 shares of unvested restricted stock) and 10,620,529 as of December 31, 2007 (including 161,137 shares of unvested restricted stock)		
	11	11
Additional paid-in capital	169,815	168,931
Retained earnings	70,853	72,797
Accumulated other comprehensive (loss) income, net of tax	(162)	64
	240,517	241,803
Less cost of treasury stock, 350,575 shares as of June 30, 2008 and December 31, 2007	(6,684)	(6,684)
Total stockholders' equity	233,833	235,119
Total liabilities and stockholders' equity	\$ 1,747,824	\$ 1,693,521

See Notes to Consolidated Financial Statements (Unaudited).

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COMMUNITY BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(In thousands, except per share data)			
Interest and dividend income:				
Loans, including fees	\$ 25,232	\$ 30,439	\$ 54,058	\$ 59,373
Securities and investments	948	1,448	2,067	2,884
Federal funds sold	17	529	27	1,047
Total interest and dividend income	26,197	32,416	56,152	63,304
Interest expense on:				
Deposits	8,615	11,926	18,758	22,623
Borrowings	1,021	1,149	2,400	2,301
Junior subordinated debt	1,034	1,543	2,188	3,073
Total interest expense	10,670	14,618	23,346	27,997
Net interest income before provision for loan losses	15,527	17,798	32,806	35,307
Provision for loan losses	14,226	486	18,394	968
Net interest income after provision for loan losses	1,301	17,312	14,412	34,339
Non-interest income:				
Service charges and other income	738	557	1,401	1,185
Bank owned life insurance	98	111	198	229
Net swap settlements	(85)	44	(115)	92
Rental income	39	38	87	76
Gain on sale of securities	31	4	196	4
Gain on sale of property			1,210	
Net gain on sale of loans		250		285
Total non-interest income	821	1,004	2,977	1,871

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Non-interest expense:				
Salaries, wages and employee benefits	5,230	5,589	11,095	11,301
Occupancy, equipment and depreciation	1,291	1,227	2,573	2,423
Core deposit intangible amortization	335	335	670	670
Data processing	303	268	533	583
Advertising and public relations	405	464	782	737
Professional fees	616	428	1,206	700
Telephone and postage	163	193	326	394
Stationery and supplies	207	192	402	358
Directors fees	119	50	236	178
Insurance	436	140	660	259
Software maintenance	173	116	319	221
Loan related	123	82	223	177
Foreclosed assets, net	154		154	
(Gain) Loss on interest rate swaps	(814)		15	
Other operating expenses	541	539	1,198	1,080
Total non-interest expense	9,282	9,623	20,392	19,081
(Loss) income before income tax provision	(7,160)	8,693	(3,003)	17,129
Income tax (benefit) provision	(2,524)	3,050	(1,059)	6,037
Net (loss) income	(4,636)	5,643	(1,944)	11,092
Other comprehensive (loss) income unrealized (loss) on available-for-sale securities, net of income tax benefit of \$381, \$333, \$26 and \$262, respectively	(877)	(600)	(226)	(445)
Comprehensive (loss) income	\$ (5,513)	\$ 5,043	\$ (2,170)	\$ 10,647
(LOSS) EARNINGS PER SHARE:				
Basic	\$ (0.46)	\$ 0.54	\$ (0.19)	\$ 1.06
Diluted	\$ (0.46)	\$ 0.54	\$ (0.19)	\$ 1.06

See Notes to Consolidated Financial Statements (Unaudited).

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COMMUNITY BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended
(Unaudited)

	June 30, 2008	June 30, 2007
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	\$ (1,944)	\$ 11,092
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of premises and equipment	962	929
Gain on sales of fixed assets		(20)
Gain on sale of property	(1,210)	
Amortization of core deposit intangible	670	670
Loss on interest rate swaps	15	
Income from bank owned life insurance	(198)	(229)
Gain on sale of loans		(285)
Gain on sale of securities	(196)	(4)
Proceeds from sales of loans held for sale		3,559
Originations of loans held for sale		(2,262)
Deferred taxes, net	(188)	1,082
Provision for loan losses	18,394	968
Share-based compensation expense	884	417
Net amortization (accretion) of investment premium and discount	23	(76)
Decrease (increase) in accrued interest receivable	963	(617)
(Increase) in other assets	(3,307)	(501)
Decrease in accrued interest payable and other liabilities	(1,915)	(972)
Income from required equity investments stock dividends	(189)	(117)
Net cash provided by operating activities	12,764	13,634
Cash flows from investing activities:		
Net increase in loans	(106,383)	(112,035)
(Payments) receipts on net swap settlements	(115)	92
Proceeds from maturities of and principal paydowns on securities held to maturity	166	98
Purchase of securities available for sale	(100)	(2,617)
Proceeds from maturities of and principal paydowns on securities available for sale	26,882	13,019
Proceeds from sale of securities available for sale	196	3,272
Net investment in required equity investments	1,868	(5,726)
(Purchase) sale of premises and equipment	(339)	(2,261)
Proceeds from sale of premises and equipment	2,565	48
Net cash used in investing activities	(75,260)	(106,110)

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Cash flows from financing activities:		
Net (decrease) increase in borrowings	(38,760)	32,139
Net increase in deposits	98,761	50,261
Repayment of long-term debt	(2,512)	
Excess tax benefit related to exercise of stock options		51
Proceeds from exercise of stock options		264
Net cash provided by financing activities	57,489	82,715
Net decrease in cash and cash equivalents	(5,007)	(9,761)
Cash and cash equivalents, beginning of the year	19,404	46,116
Cash and cash equivalents, end of the period	\$ 14,397	\$ 36,355
Supplemental disclosure of cash flow information:		
Interest paid	\$ 23,882	\$ 27,843
Income taxes paid	\$ 2,565	\$ 5,161
Transfer of loans to other real estate owned	\$ 11,033	\$

See Notes to Consolidated Financial Statements (Unaudited).

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COMMUNITY BANCORP AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business

Community Bancorp is a bank holding company headquartered in Las Vegas, Nevada with four wholly-owned subsidiaries: 1) Community Bank of Nevada, 2) Community Bank of Arizona, 3) Community Bancorp (NV) Statutory Trust II and 4) Community Bancorp (NV) Statutory Trust III. Community Bancorp exists primarily for the purpose of holding the stock of its wholly-owned subsidiaries and facilitating their activities. Community Bancorp and its consolidated subsidiaries discussed below are collectively referred to herein as the Company.

Community Bank of Nevada is a Nevada state chartered bank providing a full range of commercial and consumer bank products through thirteen branches located in the greater Las Vegas area.

Community Bank of Arizona is an Arizona state chartered bank providing a full range of commercial and consumer bank products through three branches located in the greater Phoenix, Arizona area. Community Bank of Arizona was acquired in September 2006.

The statutory trusts were formed for the exclusive purpose of issuing and selling trust preferred securities (see Note 2 and Note 8). The trust preferred securities issued through Community Bancorp (NV) Statutory Trust I were redeemed in September 2007 and management has dissolved this entity.

Community Bancorp's principal source of income is currently dividends from its two bank subsidiaries, Community Bank of Nevada and Community Bank of Arizona. The expenses of Community Bancorp, including interest from junior subordinated debt, salaries, legal, accounting and NASDAQ listing fees, have been and will generally be paid from dividends and management fees paid to Community Bancorp by its bank subsidiaries.

Note 2. Basis of Presentation

The unaudited consolidated financial statements include the accounts of Community Bancorp, Community Bank of Nevada and Community Bank of Arizona. Intercompany items and transactions have been eliminated in consolidation. The statutory trusts are not consolidated, as disclosed in Note 8.

The interim consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial statements. The information furnished in these interim statements reflects all adjustments that are, in the opinion of management, necessary for the fair statement of results for the periods presented. All adjustments are of a normal and recurring nature. Results for the three months and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for any other interim period or for the year as a whole. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. The unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes included in the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

A consolidated statement of stockholders' equity is not included as part of these interim financial statements since there have been no material changes, other than a net loss, during the six months ended June 30, 2008.

Certain amounts in the 2007 Consolidated Statement of Cash Flows have been reclassified to conform to the 2008 presentation.

Note 3. Significant Accounting Policies

Accounting policies are fully described in Note 2 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and there have been no material changes during the six months ended June 30, 2008 (also see Note 4 and Note 17).

Note 4. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. SFAS No. 157 provides a common definition of fair value to be used throughout GAAP. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company adopted

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SFAS No. 157 effective January 1, 2008. The adoption of SFAS No. 157 had no effect on the Company's Consolidated Balance Sheet or Consolidated Statement of Operations and Comprehensive Income (Loss) (also see Note 17).

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 applies to all reporting entities, including not-for-profit organizations, and contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value. For companies electing the fair value option for financial instruments under SFAS No. 159, unrealized gains and losses will be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. However, early adoption was permitted subject to certain conditions including the adoption of SFAS No. 157 at the same time. The Company adopted SFAS No. 159 on January 1, 2008. The adoption of SFAS No. 159 had no effect on the Company's Consolidated Balance Sheet and Consolidated Statement of Operations and Comprehensive Income (Loss).

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. SFAS No. 161 requires enhanced disclosures about derivative instruments and hedging activities. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the extent, if any, of any additional required disclosures.

Note 5. Loans

The composition of the Company's loan portfolio as of June 30, 2008 and December 31, 2007 is as follows:

	June 30, 2008	December 31, 2007
	(In thousands)	
Commercial and industrial	\$ 232,579	\$ 210,614
Real estate:		
Commercial	406,218	370,464
Residential	38,853	43,212
Construction and land development	823,429	789,185
Consumer and other	4,797	5,707
Total gross loans	1,505,876	1,419,182
Less:		
Allowance for loan losses	28,050	17,098
Net unearned loan fees and discounts	3,865	5,194
Total net loans	\$ 1,473,961	\$ 1,396,890

Changes in the allowance for loan losses for the three months and six months ended June 30, 2008 and 2007 are as follow:

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Balance at beginning of period	\$ 19,831	\$ 15,615	\$ 17,098	\$ 14,973

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Provision for loan losses	14,226	486	18,394	968
Less amounts charged off	(6,126)	(129)	(7,671)	(228)
Recoveries of amounts charged off	119	13	229	272
Balance at end of period	\$ 28,050	\$ 15,985	\$ 28,050	\$ 15,985

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At June 30, 2008, total impaired loans were \$103.1 million, including \$69.3 million in non-accrual loans, and total loans past due 90 days or more and still accruing interest were \$10,000. At December 31, 2007, total impaired loans were \$29.8 million, including \$12.1 million in non-accrual loans, and total loans past due 90 days or more and still accruing interest were \$20,000.

Note 6. Other Real Estate Owned

OREO is real estate that is held for sale and is initially recorded at fair value, net of estimated disposition costs and is subsequently carried at the lower of its carrying amount or fair value. The Company's OREO as of June 30, 2008 consists of seven properties totaling \$11.0 million, compared to two properties totaling \$2.8 million at March 31, 2008 and no OREO at December 31, 2007. During the quarter ended June 30, 2008, the Company charged-off \$1.4 million to the allowance for loan losses to record OREO at its estimated fair value less costs to sell. Of the \$1.4 million in loan balances charged-off during the second quarter of 2008, the Company had previously established a specific allowance on these loans of \$1.3 million at March 31, 2008. The Company also recognized a \$525,000 write down of one OREO property during the second quarter of 2008 to adjust the carrying value of the property to its estimated fair value less costs to sell based on acceptance of a purchase offer, less selling costs. One property in the amount of \$2.4 million was sold on July 22, 2008 and for three properties, totaling \$7.2 million, the Company has accepted purchase offers (two of which are in escrow) with anticipated closings in the third quarter of 2008.

OREO is evaluated to ensure the recorded amount is supported by its current fair value and valuation allowances. Reductions in the carrying amount are recorded as necessary. Costs relating to the development and improvement of the OREO are capitalized to the extent that the total does not exceed the property's net realizable value.

Note 7. Borrowings

The Company regularly uses the Federal Home Loan Bank of San Francisco (FHLB) for short term and long term borrowings. FHLB term debt, which matures from July 2008 through March 2009, amounted to \$93.3 million at June 30, 2008. Interest on all FHLB borrowings accrued at an average rate of 3.95% and 4.15% for the three and six months ended June 30, 2008, respectively. Remaining available debt financing through the FHLB amounted to \$69.1 million at June 30, 2008.

The Company also has agreements with other lending institutions under which it can purchase up to \$108.0 million of federal funds. The interest rate charged on borrowings is determined by the lending institutions at the time of borrowings. Each line is unsecured. As of June 30, 2008 and December 31, 2007, there were no federal funds purchased.

In September 2007, the Company borrowed \$15.5 million and used the proceeds to redeem junior subordinated debt owed to Community Bancorp (NV) Statutory Trust I which used the proceeds to redeem its trust preferred issuances. The borrowing is unsecured, bears interest at the one month LIBOR plus 1.50% (equal to 3.88% at June 30, 2008), is payable in the amount of approximately \$461,000 monthly with all unpaid interest and principal due on September 26, 2010 and requires the lender's approval prior to issuing dividends to shareholders. At June 30, 2008, the Company was not in compliance with the debt service coverage ratio requirement of this loan agreement. The Company has received a waiver from the lender of this requirement through September 30, 2008. The outstanding balance on the note was \$11.8 million and \$14.3 million as of June 30, 2008 and December 31, 2007, respectively.

Note 8. Junior Subordinated Debt

The Company had \$72.2 million of subordinated debentures outstanding at June 30, 2008, which bore interest at an averaged rate of 5.76% and 6.10% for the three months and six months ended June 30, 2008, respectively. The subordinated debentures were issued in three separate series. Each issuance has a maturity of thirty years from its date of issue. The subordinated debentures were issued to trusts established by the Company, which in turn issued trust preferred securities. The proceeds from the issuance of the securities were used to fund the Company's 2005 and 2006 acquisitions.

In accordance with FIN 46 (revised December 2004), *Consolidation of Variable Interest Entities-an interpretation of ARB No. 51*, statutory trusts are not reported on a consolidated basis. Therefore, the trust preferred debt securities of \$70.0 million do not appear on the Consolidated Balance Sheets. Instead, the junior subordinated debentures of \$72.2 million payable by Community Bancorp to the statutory trusts and the investment in the statutory trusts common stock of \$2.2 million (included in other assets) are reported on the Consolidated Balance Sheets.

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The Company has the option to defer payments of interest on the trust preferred securities for a period of up to five years, as long as the Company is not in default on the payment of interest. If the Company elects to defer payments of interest by extending the interest distribution period, then the Company may not declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to any of the Company's common stock, until such time as all deferred interest is paid.

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In the event of certain changes or amendments to regulatory requirements or federal tax rules, the debt is redeemable in whole. Certain obligations under these instruments are fully and unconditionally guaranteed by the Company and rank subordinate and junior in right of payment to all other liabilities of the Company.

In March 2005, the Federal Reserve Bank adopted a final rule that allows the continued inclusion of trust preferred securities in the Tier I capital of bank holding companies, subject to stricter quantitative limits and qualitative standards. Under the final ruling, qualifying mandatory preferred securities may be included in Tier I capital, subject to a limit of 25% of all core capital. Amounts of restricted core capital elements in excess of this limit generally may be included in Tier II capital. The quantitative limits become effective on March 31, 2009. As of June 30, 2008, the trust preferred securities have been included in Tier I capital for regulatory capital purposes up to the specified limit (\$70.0 million).

Note 9. Commitments and Contingencies***Financial Instruments with Off-Balance Sheet Risk***

The Company is party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss for these commitments, in the event of nonperformance, is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the contract amount of the Company's exposure to off-balance sheet risk as of June 30, 2008 and December 31, 2007 is as follows:

Outstanding commitments

	June 30, 2008	December 31, 2007
	(In thousands)	
Commitments to extend credit, including unsecured commitments of approximately \$22,604 for 2008 and \$28,137 for 2007	\$ 326,023	\$ 430,093
Credit card commitments, including unsecured amounts of approximately \$838 for 2008 and \$818 for 2007	838	818
Standby letters of credit, including unsecured commitments of approximately \$1,542 for 2008 and \$2,485 for 2007	3,137	4,083
	\$ 329,998	\$ 434,994

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable; inventory; property and equipment; residential real estate; income-producing commercial properties; and owner-occupied commercial properties. The Company had approximately \$989,000 and \$877,000 at June 30, 2008 and December 31, 2007, respectively, reflected in other liabilities for the allowance for loan losses of off-balance sheet risk associated with commitments to extend credit.

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Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required as the Company deems necessary. Essentially all letters of credit issued have expiration dates within one year. Upon entering into letters of credit, the Company records the related

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liability at fair value pursuant to FASB Interpretation No. 45 (FIN 45). Thereafter, the liability is evaluated pursuant to FASB Statement No. 5, *Accounting for Contingencies*. As of June 30, 2008 and December 31, 2007, the amount of the liability related to guarantees was approximately \$8,000 and \$10,000, respectively.

In connection with standby letters of credit, the Company recognizes the related commitment fee received from the third party as a liability at the inception of the guarantee arrangement pursuant to FIN 45. Commitment fees, where the likelihood of exercise of the commitment is remote, are generally recognized as service fee income on a straight line basis over the commitment period. All other commitment fees are deferred over the entire commitment period and are not recognized as service fee income until the expiration of the commitment period.

Financial Instruments with Concentrations of Credit Risk

The Company makes commercial, commercial real estate, residential real estate and consumer loans to customers primarily in the greater Las Vegas, Nevada and Phoenix, Arizona areas. Real estate loans accounted for approximately 84% of the total gross loans as of June 30, 2008. Substantially all of these loans are secured by first liens with an initial loan-to-value ratio of generally not more than 75%. Approximately 2% of total gross loans were unsecured as of June 30, 2008. The Company's loans are expected to be repaid from cash flows or from proceeds from the sale of selected assets of the borrowers.

At June 30, 2008 the Company's impaired loans totaled \$103.1 million, including \$69.3 million in non-accrual loans. Approximately 89% and 91% of the non-accrual loans and impaired loans, respectively, were related to borrowers in the greater Las Vegas, Nevada geographic region.

At June 30, 2008, seven customer balances totaling \$461.4 million comprised 34.7% of total deposits. These customer balances constitute all brokered deposits at June 30, 2008. Of these deposits at June 30, 2008, \$364.7 million were interest bearing wholesale demand deposits and \$96.7 million were other time deposits.

Lease Commitments

The Company leases certain branches and office facilities under operating leases. The Company has lease obligations for ten of its branch locations and its corporate headquarters and administrative offices under various non-cancelable agreements with expiration dates through March 2018, which require various minimum annual rentals.

In January 2008, the Company also executed a new land lease agreement for property on which it will construct a new branch. The Company took possession of the property on March 21, 2008 and will commence construction of the branch. The initial term of the lease is ten years with four ten year renewal options. Monthly rent will commence on the date the branch facility is open for business or at the latest in November 2008.

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

Note 10. Derivative Financial Instruments

During 2006, the Company originated two fixed rate loans with an aggregate principal balance of approximately \$20.0 million. The Company also entered into two interest rate swap agreements with notional values equal to the principal balance of the two fixed rate loans. The interest rate swap agreements are LIBOR-based where the Company's interest payments are based on a fixed interest rate and the Company's receipt of interest payments are based on a variable interest rate. The Company retains any net swap settlement income and pays any net swap settlement expense. As the Company has not used hedge accounting, the net swap settlement has been recorded in non-interest income.

The interest rate swap agreements are recorded at fair value as required by SFAS No. 133 and as amended, by SFAS No. 155. The fair values of the swap agreements are reflected in other assets or other liabilities, as applicable and any amounts owed to the borrower are recorded in other liabilities on the Consolidated Balance Sheet. As a result of changes in market value associated with the interest rate swaps, a gain of \$814,000 and a loss of \$15,000 was recorded in the Company's Consolidated Statement of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2008, respectively. For the three and six months ended June 30, 2007, there was no corresponding gain or loss on interest rate swaps.

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Fair values for the swap agreements are based upon quoted market prices.

Note 11. Stockholders Equity

At the Company's annual stockholders' meeting held May 29, 2008, the Company's shareholders approved an amendment of the Articles of Incorporation, increasing the number of authorized shares of common stock from 30,000,000 to 50,000,000 and creating a new class of preferred stock in the amount of 20,000,000 shares that, if issued, will have such terms, rights and features as may be determined by the Board of Directors. All shares of stock have a par value of \$.001.

Note 12. Earnings (Loss) per Share

Basic (loss) earnings per share (EPS) are calculated on the basis of weighted-average number of common shares outstanding (excluding non-vested restricted stock) during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Company relate to outstanding stock options and non-vested restricted stock, and are determined using the treasury stock method. The diluted loss per share for the three and six months ended June 30, 2008, was based only on the weighted-average number of common shares outstanding, as any common stock equivalents would have been antidilutive.

EPS has been computed based on the following:

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2008			2007			2008			2007		
	(In thousands, except (loss) earnings per share data)						(In thousands, except (loss) earnings per share data)					
	Average		Per Share	Average		Per Share	Average		Per Share	Average		Per Share
	Net	Number of Shares		Net	Number of Shares		Net	Number of Shares		Net	Number of Shares	
	(Loss)		Income		(Loss)		Income		(Loss)		Income	
Basic EPS	\$ (4,636)	10,109	\$ (0.46)	\$ 5,643	10,420	\$ 0.54	\$ (1,944)	10,109	\$ (0.19)	\$ 11,092	10,418	\$ 1.06
Effect of dilutive securities:												
Stock options					68						72	
Restricted stock												
Diluted EPS	\$ (4,636)	10,109	\$ (0.46)	\$ 5,643	10,488	\$ 0.54	\$ (1,944)	10,109	\$ (0.19)	\$ 11,092	10,490	\$ 1.06

Stock options and restricted stock that could potentially effect basic EPS in the future, that were not included in the computation of diluted EPS because they would have had an antidilutive effect, amounted to 698,000 shares and 708,000 shares for the three and six months ended June 30, 2008, respectively.

Note 13. Share-Based Compensation**Stock options**

As of June 30, 2008, the Company has outstanding options under two share-based compensation plans. The related compensation cost was approximately \$189,000 and \$220,000 for the three months ended June 30, 2008 and 2007, respectively, and \$376,000 and \$417,000 for the six months ended June 30, 2008 and 2007, respectively. No share-based compensation was capitalized. No stock options were granted during the six months ended June 30, 2008 and 2007.

Restricted stock

In August and September 2007, the Company issued a total of approximately 163,000 shares of restricted common stock to certain employees and directors. Restricted common stock issued to employees is subject to a three year cliff vesting and the directors restricted common stock vest annually over a three year period. Share-based compensation costs associated with the issuance of the restricted common stock is recognized on a straight-line basis over three years and amounted to approximately \$254,000 and \$508,000 for the three months and six months ended June 30, 2008, respectively. For the three and six months ended June 30, 2007, there was no share-based compensation cost associated with the issuance of restricted stock.

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In July 2000, the Company's Board of Directors approved the 2000 Stock Appreciation Rights Plan. The Company accounts for the Stock Appreciation Rights (SAR) using liability accounting which requires the Company to record the liability of the SAR at fair value, rather than intrinsic value. All outstanding SAR were settled, with cash payments made in April 2007 and, accordingly, there was no accrued liability for SAR at June 30, 2008. There was no SAR expense recognized for the three months ended June 30, 2008 and 2007. SAR expense for the six months ended June 30, 2008 and 2007 was \$0 and \$32,000, respectively.

The compensation cost related to share-based compensation plans was included in salaries, wages and employee benefits expense for grants to employees and directors fees for grants to board members in the Consolidated Statement of Operations and Comprehensive Income (Loss).

Note 14. Segments

The Company provides a full range of banking services through its two consolidated subsidiaries, Community Bank of Nevada and Community Bank of Arizona. The Company currently manages its business with a primary focus on each bank subsidiary. Accordingly, the Company has two reportable segments. Community Bancorp's financial information is included in the Other category, because it represents an overhead function rather than an operating segment.

	For the three months ended and as of June 30, 2008				For the six months ended and as of June 30, 2008			
	Community Bank of Nevada	Community Bank of Arizona	Other (3)	Total	Community Bank of Nevada	Community Bank of Arizona	Other (3)	Total
	(In thousands)				(In thousands)			
Interest and dividend income	\$ 24,478	\$ 1,706	\$ 13	\$ 26,197	\$ 52,834	\$ 3,337	\$ (19)	\$ 56,152
Interest expense	8,936	593	1,141	10,670	19,779	1,165	2,402	23,346
Net interest income before provision for loan losses	15,542	1,113	(1,128)	15,527	33,055	2,172	(2,421)	32,806
Provision for loan losses	12,484	1,742		14,226	16,519	1,875		18,394
Net interest income after provision for loan losses	3,058	(629)	(1,128)	1,301	16,536	297	(2,421)	14,412
Non-interest income	783	38		821	2,888	89		2,977
Non-interest expenses	6,825	1,303	1,154	9,282	15,772	2,540	2,080	20,392
Segment pretax (loss) income	\$ (2,984)	\$ (1,894)	\$ (2,282)	\$ (7,160)	\$ 3,652	\$ (2,154)	\$ (4,501)	\$ (3,003)

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Segment assets

(1) \$ 1,636,013 \$ 124,886 \$ (13,075) \$ 1,747,824

	For the three months ended and as of June 30, 2007				For the six months ended and as of June 30, 2007			
	Community Bank of Nevada	Community Bank of Arizona	Other (3)	Total	Community Bank of Nevada	Community Bank of Arizona	Other (3)	Total
	(In thousands)				(In thousands)			
Interest and dividend income	\$ 30,829	\$ 1,532	\$ 55	\$ 32,416	\$ 60,300	\$ 2,894	\$ 110	\$ 63,304
Interest expense	12,524	551	1,543	14,618	23,907	1,017	3,073	27,997
Net interest income before provision for loan losses	18,305	981	(1,488)	17,798	36,393	1,877	(2,963)	35,307
Provision for loan losses	386	100		486	768	200		968
Net interest income after provision for loan losses	17,919	881	(1,488)	17,312	35,625	1,677	(2,963)	34,339
Non-interest income	911	93		1,004	1,618	178	75	1,871
Non-interest expenses	8,149	973	501	9,623	16,487	1,747	847	19,081
Segment pretax income (loss)	\$ 10,681	\$ 1	\$ (1,989)	\$ 8,693	\$ 20,756	\$ 108	\$ (3,735)	\$ 17,129

Segment assets

(2) \$ 1,569,683 \$ 89,420 \$ 4,083 \$ 1,663,186

(1) Goodwill included in Community Bank of Nevada and Community Bank of

Arizona s
segment assets
amounted to
\$103.7 million
and \$9.9 million,
respectively.

- (2) Goodwill
included in
Community
Bank of Nevada s
and Community
Bank of
Arizona s
segment assets
amounted to
\$105.6 million
and \$9.5 million,
respectively.

- (3) Includes
intersegment
eliminations and
reclassifications.

Table of Contents**Note 15. Quarterly Data**

	For the three months ended		For the three months ended	
	June 30, 2008	March 31, 2008	June 30, 2007	March 31, 2007
	(In thousands, except per share data)			
Interest and dividend income	\$ 26,197	\$ 29,955	\$ 32,416	\$ 30,888
Interest expense	10,670	12,676	14,618	13,379
Net interest income before provision for loan losses	15,527	17,279	17,798	17,509
Provision for loan losses	14,226	4,168	486	482
Net interest income after provision for loan losses	1,301	13,111	17,312	17,027
Non-interest income	821	2,156	1,004	867
Non-interest expense	9,282	11,110	9,623	9,458
(Loss) income before income tax provision	(7,160)	4,157	8,693	8,436
Income tax (benefit) provision	(2,524)	1,465	3,050	2,987
Net (loss) income	\$ (4,636)	\$ 2,692	\$ 5,643	\$ 5,449
Basic (loss) earnings per share	\$ (0.46)	\$ 0.27	\$ 0.54	\$ 0.52
Diluted (loss) earnings per share	\$ (0.46)	\$ 0.26	\$ 0.54	\$ 0.52

Note 16. Sale of Property

On February 13, 2008, the Company completed the sale of its Warm Springs branch. Previously, the Company consolidated the branch's activity with the Stephanie branch. The consolidation of the two branches and subsequent sale of the Warm Springs branch was implemented due to the close proximity of the two branches. The Stephanie branch was acquired in October 2006 through our acquisition of Valley Bancorp.

Gross proceeds from the sale were approximately \$2.7 million (approximately \$2.6 million after selling costs) and the related gain of approximately \$1.2 million was recorded in non-interest income.

Note 17. Fair Value Accounting

As discussed in Note 4, on January 1, 2008 the Company adopted SFAS No. 157, *Fair Value Measurements*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115*. The adoption of SFAS No. 157 and 159 had no effect on the Company's December 31, 2007

and June 30, 2008 Consolidated Balance Sheets or the Consolidated Statement of Operations and Comprehensive Income (Loss) for the three months and six months ended June 30, 2008.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value and contains financial statement presentation and disclosure requirements for assets and liabilities for which the fair value option under this pronouncement is elected. Upon adoption of SFAS No. 159, none of the Company's assets or liabilities were valued using the fair value option allowed under this pronouncement.

SFAS No. 157 also establishes a hierarchy for determining fair value measurement. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities. The three levels are as follow:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

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Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to valuation methodology.

Securities available-for-sale, at fair value Where quoted prices are available in an active market, securities are classified within level 1 of the hierarchy. Level 1 includes securities that have quoted prices in an active market for identical assets. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Company has categorized its securities as level 2.

Impaired loans SFAS No. 157 applies to loans measured for impairment using the practical expedients permitted by SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, including impaired loans measured at an observable market price (if available) or at the fair value of the loan's collateral (if collateral dependent). Fair value of the loan's collateral is determined by appraisals or independent valuation which is then adjusted for the cost related to liquidation of the collateral. The Company has categorized its impaired loans as level 2.

Interest rate swaps The Company determines the fair value of its interest rate swaps based on termination estimates provided by the counter party to the swaps. These values are then validated by management using internal valuation models based on market information. The Company has categorized its interest rate swaps as level 2.

The following table represents the assets and liabilities measured at fair value on recurring basis by the Company.

Description	Fair Value Measurements at Reporting Date Using:			
	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities available for sale, at fair value	\$ 61,161	\$	\$ 61,161	\$
Interest rate swaps (1)	15		15	
Total	\$ 61,176	\$	\$ 61,176	\$
Liabilities:				
Interest rate swaps (2)	\$ 395	\$	\$ 395	\$
	\$ 395	\$	\$ 395	\$

(1)

Included in
other assets

- (2) Included in
accrued interest
payable and
other liabilities

For the three months and six months ended June 30, 2008, the decrease in fair value of securities available-for-sale was \$1.3 million and \$252,000, respectively, which is included in other comprehensive income (loss) (net of taxes). The change in fair value of interest rate swaps resulting in a gain of \$814,000 and a loss of \$15,000 for the three and six months ended June 30, 2008, respectively, is included in non-interest expense. Methods of measuring fair values at June 30, 2008 for securities available-for-sale and interest rate swaps are consistent with those used in prior reporting periods.

Certain assets are measured at fair value on a nonrecurring basis (e.g., the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments when there is evidence of impairment). The following table represents the assets measured at fair value on a nonrecurring basis by the Company.

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Description	Fair Value Measurements at Reporting Date Using:			
	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In thousands)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans with specific valuation allowance under SFAS No. 114	\$ 27,332	\$	\$ 27,332	\$

At June 30, 2008, impaired loans in the amount of \$38,346 (all collateral dependent) were written down to fair value of the underlying collateral, less cost to sell, through establishing a specific allowance for loan losses of \$11.0 million. Methods of measuring fair values at June 30, 2008 for impaired loans are consistent with those used in prior reporting periods.

Note 18. Goodwill

Goodwill represents the excess of the consideration over the fair value of the net assets acquired through the 2005 and 2006 acquisitions of Bank of Commerce, Community Bank of Arizona and Valley Bancorp. Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized but rather tested for impairment, at least annually. The Company's annual testing of impairment was last conducted as of October 1, 2007 for each of its reporting units (i.e., segments). No impairment of goodwill was identified at that time. In accordance with SFAS No. 142, goodwill of a reporting unit shall be tested for impairment between annual tests if an event or circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. As of June 30, 2008, management does not believe any events have occurred that require a current test for impairment. However, management will continue to monitor events and circumstances and if deemed necessary perform tests for impairments prior to the annual testing which might result in a reduction of the carrying value of the goodwill and an impairment loss. Because goodwill is not included in the calculation of risk-based capital, the Company's regulatory risk-based capital would not be impacted by this potential expense.

Note 19. Subsequent Event

On July 21, 2008, the Company completed the sale of its Jones property (an administrative facility acquired as part of the Valley Bancorp acquisition). Gross proceeds from the sale were \$2.6 million (approximately \$2.5 million after selling costs) resulting in a gain of approximately \$37,000.

Concurrent with the closing, the Company executed a leaseback agreement for the property. The term of the lease is for five years, to commence on completion of the sale, and includes two five year renewal options. The initial first year rent is approximately \$210,000 and increases 3% annually. The lease also includes an early termination clause that states the Company has the absolute right to early termination of the lease following the thirty-sixth month of the lease term. If early termination is elected, written notice must be provided to the landlord as specified in the lease agreement and the Company will also be subject to an early termination penalty.

In accordance with SFAS No. 28, *Accounting for Sales with Leasebacks, an amendment of SFAS No. 13*, the gain will be deferred and amortized over the initial term of the lease.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

When used in this document, the words or phrases such as "will likely result in," "management expects that," "will continue," "is anticipated," "estimate," "projected," or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Specific factors include, but are not limited to the recent fluctuations in the U.S. capital and credit markets, loan production, balance sheet management, the economic condition of the markets in Las Vegas, Nevada, or Phoenix, Arizona and their deteriorating real estate sectors, net interest margin, loan quality, the ability to control costs and expenses, interest rate changes and financial policies of the United States government, our ability to manage systemic risks and control operating risks, and general economic conditions. Additional information on these and other factors that could affect financial results are included in Item 1A. Risk Factors of our Annual Report on Form 10K for the year ended December 31, 2007, and our other Securities and Exchange Commission filings. Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date hereof. Community Bancorp undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. This statement is included for the express purpose of protecting Community Bancorp under the PSLRA's safe harbor provisions. When relying on forward-looking statements to make decisions with respect to our Company, investors and others are cautioned to consider these and other risks and uncertainties.

EXECUTIVE OVERVIEW

Community Bancorp is a bank holding company headquartered in Las Vegas, Nevada, with four wholly-owned subsidiaries: 1) Community Bank of Nevada, 2) Community Bank of Arizona, 3) Community Bancorp (NV) Statutory Trust II and 4) Community Bancorp (NV) Statutory Trust III. Community Bancorp exists primarily for the purpose of holding the stock of its wholly-owned subsidiaries and facilitating their activities. In accordance with FIN 46 (revised December 2004), the statutory trusts are not reported on a consolidated basis. Community Bancorp and its consolidated subsidiaries are collectively referred to herein as the "Company." Community Bank of Nevada and Community Bank of Arizona are collectively referred to herein as the "Banks."

During the three and six months ended June 30, 2008 the Company's earnings were challenged by difficult economic conditions in its primary markets as the deterioration of the real estate market during the second half of 2007 continued into the first half of 2008. The deterioration in the real estate market is due to a variety of factors, the most significant of which has been the fallout from the defaults associated with the residential sub-prime market and Alt-A loans. While the Company does not engage in residential sub-prime lending or Alt-A loans, its markets have been affected by these factors.

This sustained economic downturn had the following effect on the Company's results of operations and financial condition:

Results of operations

The provision for loan losses was \$14.2 million for the second quarter of 2008, compared to a provision for loan losses of \$4.2 million for the first quarter of 2008 and \$486,000 for the quarter ended June 30, 2007.

The provision for loan losses for the first half of 2008 increased to \$18.4 million, compared to a provision for loan losses of \$968,000 for the first half of 2007.

Due to an increase in non-performing loans for the three and six months ended June 30, 2008, interest and dividend income was adversely affected.

Due primarily to the increased provision for loan losses and the adverse effect of the increase in non-performing loans on interest and dividend income, the Company recognized a loss for the second quarter of 2008 of \$4.6 million, or \$(0.46) per diluted share, compared to net income of \$2.7 million for the first

quarter of 2008, or \$0.26 per diluted share, and \$5.6 million, or \$0.54 per diluted share, for the second quarter of 2007.

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For the first half of 2008 the Company recognized a net loss of \$1.9 million, or \$(0.19) per diluted share, compared to net income of \$11.1 million, or \$1.06 per diluted share in the first half of 2007.

Financial condition

The allowance for loan losses increased to \$28.1 million, or 1.86% of total gross loans, at June 30, 2008, compared to \$17.1 million, or 1.20% of total gross loans, at December 31, 2007.

Non-performing loans totaled \$69.3 million, or 4.6% of total gross loans, at June 30, 2008, compared to \$12.1 million, or 0.85% of total gross loans, at December 31, 2007. One loan in the amount of \$26.2 million represented 1.7% of total gross loans and 37.9% of non-performing loans. While this loan was not 90 days past due at June 30, 2008, management classified this loan as non-accrual at June 30, 2008. By classifying this one loan to non-accrual status, interest income was adversely affected by approximately \$884,000.

OREO was \$11.0 million at June 30, 2008, and the Company had no OREO at December 31, 2007. One property in the amount of \$2.4 million was sold on July 22, 2008 and for three properties, totaling \$7.2 million, the Company has accepted purchase offers (two of which are in escrow) with anticipated closings in the third quarter of 2008

Impaired loans, which include all non-performing loans, increased to \$103.1 million at June 30, 2008, compared to \$29.8 million at December 31, 2007.

The Company's capital ratios continue to be above the well-capitalized guidelines established by bank regulatory agencies.

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(Unaudited)**

	2nd Quarter 2008	2nd Quarter 2007	Percentage Change	1st Half 2008	1st Half 2007	Percentage Change
	(In thousands, except share and percentage data)			(In thousands, except share and percentage data)		
SHARE DATA						
Earnings (loss) per share basic	\$ (0.46)	\$ 0.54	-185.2%	\$ (0.19)	\$ 1.06	-117.9%
Earnings (loss) per share diluted	\$ (0.46)	\$ 0.54	-185.2%	\$ (0.19)	\$ 1.06	-117.9%
Book value per share	22.80	\$ 22.10	3.2%	22.80	\$ 22.10	3.2%
Shares outstanding at period end	10,253,995	10,419,924	-1.6%	10,253,995	10,419,924	-1.6%
Weighted average shares outstanding basic	10,108,817	10,419,924	-3.0%	10,108,817	10,417,919	-3.0%
Weighted average shares outstanding diluted (5)	10,108,817	10,488,289	-3.6%	10,108,817	10,490,016	-3.6%
SELECTED OTHER BALANCE SHEET DATA						
Average assets	\$ 1,749,694	\$ 1,639,474	6.7%	\$ 1,726,246	\$ 1,621,763	6.4%
Average earning assets	\$ 1,576,857	\$ 1,457,476	8.2%	\$ 1,554,694	\$ 1,439,371	8.0%
Average stockholders equity	\$ 239,894	\$ 228,470	5.0%	\$ 239,292	\$ 225,698	6.0%
Gross loans	\$ 1,505,876	\$ 1,366,362	10.2%	\$ 1,505,876	\$ 1,366,362	10.2%
SELECTED FINANCIAL RATIOS						
Return on average assets	(1.07)%	1.38%	-177.2%	(0.23)%	1.38%	-116.4%
Return on average stockholders equity	(7.77)%	9.91%	-178.4%	(1.63)%	9.91%	-116.5%
Net interest margin (1)	3.99%	4.93%	-19.1%	4.27%	4.98%	-14.2%
Efficiency ratio (2)	56.78%	51.18%	10.9%	56.99%	51.32%	11.0%
Capital Ratios						
Average stockholders equity	13.71%	13.94%	-1.6%	13.86%	13.92%	-0.4%

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to average assets				
Tier 1 leverage				
capital ratio				
Consolidated				
Company	11.27%	12.22%	-7.8%	
Community Bank				
of Nevada	11.17%	11.55%	-3.3%	
Community Bank				
of Arizona	21.14%	30.82%	-31.3%	
Tier 1 risk-based				
capital ratio				
Consolidated				
Company	10.98%	12.07%	-9.0%	
Community Bank				
of Nevada	10.97%	11.32%	-3.1%	
Community Bank				
of Arizona	18.37%	35.51%	-48.3%	
Total risk-based				
capital ratio				
Consolidated				
Company	12.24%	13.63%	-10.2%	
Community Bank				
of Nevada	12.23%	12.36%	-1.1%	
Community Bank				
of Arizona	19.63%	36.76%	-46.6%	

Asset Quality Ratios

Non-performing				
loans (3)	\$ 69,282	\$ 1,311	5184.7%	
Non-performing				
assets (4)	\$ 80,315	\$ 1,311	6026.2%	
Non-performing				
loans to total gross				
loans	4.60%	0.10%	4500.8%	
Non-performing				
assets to total assets	4.60%	0.08%	5643.9%	
Past due loans				
30 - 59 days	\$ 28,546	\$ 1,090	2517.3%	
60 - 89 days	\$ 13,780	\$ 906	1420.0%	
Allowance for loan				
losses to total gross				
loans	1.86%	1.17%	59.2%	
Allowance for loan				
losses to				
non-performing				
assets	35%	1,219%	-97.1%	
Allowance for loan				
losses to				
non-performing				
loans	40%	1,219%	-96.7%	

Net charge-offs (recoveries) to average loans (6)	1.62%	0.04%	39.5%	1.02%	(0.01)%	103.0%
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(1) Net interest margin represents net interest income on a tax equivalent basis as a percentage of average interest-earning assets.

(2) Efficiency ratio represents non-interest expenses, excluding provision for loan losses, as a percentage of the aggregate of net interest income and non-interest income.

(3) Non-performing loans are defined as loans that are past due 90 days or more plus loans placed in non-accrual status.

(4) 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.

(5) Weighted average shares outstanding-diluted were equal to weighted average shares-basic for the second quarter and first half of 2008, as

any common stock
equivalents would
have been
anti-dilutive.

(6) Annualized.

Table of Contents**CRITICAL ACCOUNTING POLICIES**

The Company's accounting policies are integral to understanding the financial results reported. The most complex accounting policies require management's judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. The Company has established policies and procedures that are intended to ensure that the 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 our current accounting policies involving significant management valuation judgments.

Allowance for loan losses. The allowance for loan losses represents the Company'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 when loans charged-off exceed loan recoveries. The allowance for loan losses is evaluated at least quarterly. The quarterly evaluation includes management's assessment of various factors affecting the collectibility of 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. In addition to assessing these various factors, management considers a number of quantitative and qualitative factors, including levels and trends of past due and non-accrual loans, asset classifications, loan grades, changes in the volume of loans, collateral value, historical loss experiences, peer group loss experiences, size and complexity of individual credits and economic conditions. The provision for loan losses contains a general and specific component. The general component is based on a portfolio segmentation based on risk grading, with a further evaluation of the various quantitative and qualitative factors noted above. The specific component is for impaired loans, where the expected or anticipated loss is measurable (e.g., impairment).

Available-for-sale securities. Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires that available-for-sale securities be carried at fair value. The Company believes this to be 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. See SFAS No. 157, *Fair Value Measurements* below.

Goodwill and other intangibles. Net assets of entities acquired in purchase transactions are recorded at fair value at the date of acquisition. Identified intangibles are amortized on a straight-line basis over the period benefited. Goodwill is not amortized, although it is reviewed for impairment on an annual basis or if events or circumstances indicate a potential impairment. The impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's goodwill (as defined in SFAS No. 142, *Goodwill and Other Intangible Assets*) with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

Other intangible assets subject to amortization are evaluated for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Share-based compensation. The Company recognizes share-based compensation expense under the provisions of the FASB issued Statement No. 123 (revised 2004) (SFAS No. 123R), *Share-Based Payment*, and SEC Staff Accounting Bulletin No. 107 (SAB 107), which requires the measurement and recognition of all share-based compensation under the fair value method. In determining the fair value of stock options, the Company employs the following assumptions:

- § Expected volatility based on the historical volatility of similar entities' stock price that have been public for a period of time at least equal to the expected life of the option.
- § Expected term of the option based on the simple average of the vesting term and the original contract term.

§ Risk-free rate based upon the rate on a zero coupon U.S. Treasury bill, for periods within the expected term of the option.

§ Dividend yield the Company currently has a no dividend policy and accordingly, no dividend yield is utilized. The fair value of restricted stock grants is based on the closing price of the Company's common stock on the date of grant.

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Segment reporting. With the acquisition of Community Bank of Arizona in September 2006, the Company expanded to the greater Phoenix, Arizona market. During the quarter ended December 31, 2006, certain changes were implemented in the management and reporting of the Company's business units, resulting in two reportable operating segments: Community Bank of Nevada and Community Bank of Arizona.

Fair Value Measurements. Effective January 1, 2008 the Company adopted SFAS No. 157, *Fair Value Measurements*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value.

SFAS No. 157 also establishes a hierarchy for determining fair value measurement. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities. The three levels are as follow:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

RESULTS OF OPERATIONS

As previously noted, the Company recorded a net loss of \$4.6 million and \$1.9 million for the second quarter and first half of 2008, respectively, compared to net income of \$5.6 million and \$11.1 million, respectively, for the same periods of 2007. The Company earns income from two primary sources: net interest income, which is the difference between interest income generated from interest earning assets and interest expense created by interest bearing liabilities; and non-interest income, of which a majority is fees and charges earned from customer services. Income from these sources is offset by the provision for loan losses, non-interest expense and income taxes.

Table of Contents*Net Interest Income and Net Interest Margin*

The following table presents the net interest spread, net interest margin, average balances, interest income and expense, and average yields and rates by asset and liability components for the periods indicated.

Distribution, Rate and Yield Analysis of Net Income

	Three Months Ended June 30,					
	Average	2008	Annualized	Average	2007	Annualized
	Balance	Interest	Average	Balance	Interest	Average
		Income/	Rate/Yield		Income/	Rate/Yield
		Expense	(7)		Expense	(7)
(In thousands, except percentage data)						
Assets:						
Interest earning assets:						
Loans (1)(2)	\$ 1,493,582	\$ 25,232	6.79%	\$ 1,301,307	\$ 30,439	9.38%
Investment securities (3)(4)	79,982	948	5.29%	115,495	1,448	5.42%
Federal funds sold	3,293	17	2.08%	40,674	529	5.21%
Total interest earning assets (3)	1,576,857	26,197	6.71%	1,457,476	32,416	8.95%
Non-interest earning assets:						
Cash and due from banks	16,737			23,348		
Goodwill and intangibles	120,632			123,427		
Other assets	35,468			35,223		
Total assets	\$ 1,749,694			\$ 1,639,474		
Liabilities and stockholders equity:						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	\$ 71,046	302	1.71%	\$ 69,625	470	2.71%
Money market	666,254	3,995	2.41%	506,738	5,878	4.65%
Savings	23,198	79	1.37%	41,175	279	2.72%
Time	396,547	4,239	4.30%	408,380	5,299	5.20%
Total interest bearing deposits	1,157,045	8,615	2.99%	1,025,918	11,926	4.66%
Borrowings	102,910	1,021	3.99%	89,562	1,149	5.15%
Junior subordinated debt	72,166	1,034	5.76%	87,630	1,543	7.06%

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Total interest bearing liabilities	1,332,121	10,670	3.22%	1,203,110	14,618	4.87%
Non-interest bearing liabilities:						
Demand deposits	168,644			195,581		
Other liabilities	9,035			12,313		
Total liabilities	1,509,800			1,411,004		
Stockholders equity	239,894			228,470		
Total liabilities and stockholders equity	\$ 1,749,694			\$ 1,639,474		
Net interest income		\$ 15,527			\$ 17,798	
Net interest spread (3)(5)			3.49%			4.08%
Net interest margin (3)(6)			3.99%			4.93%

(1) Includes average non-accrual loans of \$39.7 million and \$1.1 million for the three months ended June 30, 2008 and 2007, respectively.

(2) Net loan fees of \$1.7 million and \$2.0 million are included in the yield computations for the three months ended June 30, 2008 and 2007, respectively.

- (3) Yields on securities, total interest-earning assets, net interest spread and net interest margin have been adjusted to a tax-equivalent basis. These adjustments amounted to \$104,000 and \$110,000 for the three months ended June 30, 2008 and 2007, respectively.

- (4) Includes securities available for sale, securities held to maturity, interest bearing deposits in other banks and required equity investments.

- (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, on a tax equivalent basis, by total average earning-assets.

- (7) Yields are computed based on actual number of days during the period.

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	Six Months Ended June 30,					
	2008	Annualized		2007	Annualized	
Average	Interest	Average	Average	Interest	Average	Annualized
Balance	Income/	Rate/Yield	Balance	Income/	Rate/Yield	Rate/Yield
	Expense	(7)	Balance	Expense	(7)	(7)
(In thousands, except percentage data)						
Assets:						
Interest earning assets:						
Loans (1)(2)	\$ 1,465,222	\$ 54,058	7.42%	\$ 1,282,448	\$ 59,373	9.34%
Investment securities (3)(4)	87,152	2,067	5.26%	116,965	2,884	5.35%
Federal funds sold	2,320	27	2.34%	39,958	1,047	5.28%
Total interest earning assets (3)	1,554,694	56,152	7.29%	1,439,371	63,304	8.90%
Non-interest earning assets:						
Cash and due from banks	16,398			24,144		
Goodwill and intangibles	120,803			123,544		
Other assets	34,351			34,704		
Total assets	\$ 1,726,246			\$ 1,621,763		
Liabilities and stockholders equity:						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	\$ 73,348	713	1.95%	\$ 66,247	865	2.63%
Money market	632,790	8,934	2.84%	490,091	11,267	4.64%
Savings	24,133	178	1.48%	47,785	648	2.73%
Time	393,566	8,933	4.56%	407,863	9,843	4.87%
Total interest bearing deposits	1,123,837	18,758	3.36%	1,011,986	22,623	4.51%
Borrowings	113,478	2,400	4.25%	90,073	2,301	5.15%
Junior subordinated debt	72,166	2,188	6.10%	87,630	3,073	7.07%
Total interest bearing liabilities	1,309,481	23,346	3.59%	1,189,689	27,997	4.75%

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Non-interest bearing liabilities:		
Demand deposits	168,205	195,086
Other liabilities	9,268	11,290
Total liabilities	1,486,954	1,396,065
Stockholders equity	239,292	225,698
Total liabilities and stockholders equity	\$ 1,726,246	\$ 1,621,763

Net interest income	\$ 32,806	\$ 35,307
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Net interest spread (3)(5)	3.70%	4.15%
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Net interest margin (3)(6)	4.27%	4.98%
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(1) Includes average non-accrual loans of \$27.4 million and \$1.2 million for the six months ended June 30, 2008 and 2007, respectively.

(2) Net loan fees of \$3.8 million and \$3.7 million are included in the yield computations for the six months ended June 30, 2008 and 2007, respectively.

(3) Yields on securities, total interest-earning assets, net

interest spread and net interest margin have been adjusted to a tax-equivalent basis.

These adjustments amounted to \$212,000 and \$221,000 for the six months ended June 30, 2008 and 2007, respectively.

- (4) Includes securities available for sale, securities held to maturity, interest bearing deposits in other banks and required equity investments.
- (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, on a tax equivalent basis, by total average earning-assets.

(7)

Yields are
computed based
on actual
number of days
during the
period.

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The following table sets forth, for the period indicated, the dollar amount of changes in interest earned for interest earning assets and paid for interest bearing liabilities and the amount of change attributable to (i) average daily balances (volume) and (ii) interest rates (rate):

	Three months ended June 30, 2008 vs. 2007			Six months ended June 30, 2008 vs. 2007		
	increase (decrease) due to change in (In thousands)			increase (decrease) due to change in (In thousands)		
	Volume	Rate	Total	Volume	Rate	Total
Interest and dividend income:						
Loans	\$ 4,063	\$ (9,270)	\$ (5,207)	\$ 7,753	\$ (13,068)	\$ (5,315)
Investments securities	(425)	(75)	(500)	(711)	(106)	(817)
Federal funds sold	(309)	(203)	(512)	(641)	(379)	(1,020)
Total interest and dividend income	3,329	(9,548)	(6,219)	6,401	(13,553)	(7,152)
Interest expense:						
Interest bearing demand	11	(179)	(168)	87	(239)	(152)
Money market	1,498	(3,381)	(1,883)	2,737	(5,070)	(2,333)
Savings	(94)	(106)	(200)	(245)	(225)	(470)
Time	(148)	(912)	(1,060)	(371)	(539)	(910)
Borrowings	157	(285)	(128)	538	(439)	99
Junior subordinated debt	(246)	(263)	(509)	(499)	(386)	(885)
Total interest expense	1,178	(5,126)	(3,948)	2,247	(6,898)	(4,651)
Net interest income	\$ 2,151	\$ (4,422)	\$ (2,271)	\$ 4,154	\$ (6,655)	\$ (2,501)

Net interest income is derived from interest and dividends 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 volumes and rates. The volume of loans, investment securities and other interest earning assets, compared to the volume of interest bearing deposits and indebtedness, combined with the rate relationships, produces changes in the net interest income between periods.

For the three months and six months ended June 30, 2008, interest and dividend income was \$26.2 million and \$56.2 million, respectively, compared to \$32.4 million and \$63.3 million, respectively, for the same periods in 2007. The decrease in interest and dividend income was due to an increase in non-performing loans and lower yields on indexed loans (approximately 65% of the Company's loans are indexed to Prime or Libor, although 51% of these loans have interest rate floors of which approximately 75% are now active). The Company's average prime rate for the three and six months ended June 30, 2008 decreased 317 and 260 basis points, respectively, to 5.08% and 5.65%, respectively, compared to 8.25% in the same periods in 2007, in response to the 325 basis point decrease in the interest rate target set by the FOMC from September 2007 through April 2008. As a result of these factors, the Company's yields on loans for the three and six months ended June 30, 2008 decreased to 6.79% and 7.42%, respectively, compared to 9.38% and 9.34%, respectively, in the same periods in 2007.

For the three and six months ended June 30, 2008, interest expense was \$10.7 million and \$23.3 million, respectively, compared to \$14.6 million and \$28.0 million, respectively, for the same periods in 2007. The FOMC

action mentioned above affected the cost of interest bearing liabilities. The target average federal funds rate for the three and six months ended June 30, 2008 was 2.08% and 2.63%, respectively, down 317 basis points and 262 basis points, respectively, compared to 5.25% for the same periods in 2007. The full impact of these decreases were not reflected in the cost of interest bearing liabilities as competitive pressures and the level of market rates do not always allow changes in interest rates paid to match decreases in the federal funds rate exactly. Unfavorable changes in funding liability mix also slowed the decrease in the average cost of funding liabilities. This resulted from increased reliance on certificates of deposits and wholesale sources of funds. As a result of these factors, the Company's cost of interest bearing liabilities was 3.22% and 3.59% for the three and six months ended June 30, 2008, respectively, compared to 4.87% and 4.75%, respectively, for the same periods in 2007.

For the three and six months ended June 30, 2008, the Company's net interest margin was 3.99% and 4.27%, respectively, compared to 4.93% and 4.98%, respectively, in the same periods in 2007. As more fully discussed above, the decrease in net interest margin reflected the compression of the spread between yields on interest earning assets and rates paid on interest bearing liabilities.

Table of Contents*Provision for Loan Losses*

The Company has established an allowance for loan losses through charges to earnings that are reflected in the Consolidated Statements of Income and Comprehensive Income as a provision for loan losses. Specifically, the provision for loan losses represents the amount charged against current period earnings to achieve an allowance for loan losses that, in management's judgment, is adequate to address the risks in the Company's loan portfolio. To quantify these risks, the Company performs a quarterly assessment of the losses inherent in its loan portfolio, as well as a detailed review of each significant loan with identified weaknesses.

Due to increases in the general allowance for loan losses and the specific allowance for loan losses on impaired loans, the Company's allowance for loan losses increased to \$28.1 million as of June 30, 2008, compared to \$17.1 million at December 31, 2007. As a result of these factors the Company recorded a provision of \$14.2 million and \$18.4 million for second quarter and first half of 2008, respectively, compared to \$486,000 and \$968,000, respectively, for the same periods in 2007. As of June 30, 2008, the allowance for loan losses was 1.86% of total gross loans, compared to 1.20% at December 31, 2007.

Non-Interest Income

The following table sets forth the various components of the Company's non-interest income for the periods indicated:

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)
	Amount (In thousands)			Amount (In thousands)		
Service charges and other income	\$ 738	\$ 557	\$ 181	\$ 1,401	\$ 1,185	\$ 216
Income from bank owned life insurance	98	111	(13)	198	229	(31)
Net swap settlements	(85)	44	(129)	(115)	92	(207)
Rental income	39	38	1	87	76	11
Gain on sale of securities	31	4	27	196	4	192
Gain on sale of property				1,210		1,210
Net gain on sales of loans		250	(250)		285	(285)
Total non-interest income	\$ 821	\$ 1,004	\$ (183)	\$ 2,977	\$ 1,871	\$ 1,106

Non-interest income decreased to \$821,000 for the three months ended June 30, 2008, compared to \$1.0 million in the same period in 2007. This decrease was primarily due to a \$250,000 gain on sale of loans in the second quarter of 2007 for which there was no corresponding amount during the second quarter of 2008 and a decrease of \$129,000 in net swap settlements, offset in part by an increase in service charges and other income of \$181,000. Non-interest income for the six months ended June 30, 2008, increased to \$3.0 million, compared to \$1.9 million for the same period in 2007. The increase was the result of the sale of the Company's Warm Springs property in February 2008 which resulted in a gain of approximately \$1.2 million, an increase in gain on sale of securities of \$192,000, offset by the recognition of a net swap settlement expense of \$115,000 (compared to net settlement income of \$92,000 during the first half of 2007).

Table of Contents*Non-Interest Expense*

The following table sets forth the components of non-interest expense for the periods indicated:

	Three months ended			Six months ended		
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)
	(In thousands)			(In thousands)		
Salaries, wages and employee benefits	\$ 5,230	\$ 5,589	\$ (359)	\$ 11,095	\$ 11,301	\$ (206)
Occupancy, equipment and depreciation	1,291	1,227	64	2,573	2,423	150
Core deposit intangible amortization	335	335		670	670	
Data processing	303	268	35	533	583	(50)
Advertising and public relations	405	464	(59)	782	737	45
Professional fees	616	428	188	1,206	700	506
Telephone and postage	163	193	(30)	326	394	(68)
Stationery and supplies	207	192	15	402	358	44
Directors fees	119	50	69	236	178	58
Insurance	436	140	296	660	259	401
Software maintenance	173	116	57	319	221	98
Loan related	123	82	41	223	177	46
Foreclosed assets, net	154		154	154		154
(Gain) loss on interest rate swaps	(814)		(814)	15		15
Other operating expenses	541	539	2	1,198	1,080	118
Total non-interest expense	\$ 9,282	\$ 9,623	\$ (341)	\$ 20,392	\$ 19,081	\$ 1,311

For the three and six months ended June 30, 2008, non-interest expense was \$9.3 million and \$20.4 million, respectively, compared to \$9.6 million and \$19.1 million for the same periods in 2007.

Salaries, wages and employee benefits decreased to \$5.2 million and \$11.1 million for the three and six months ended June 30, 2008, respectively, compared to \$5.6 million and \$11.3 million in the same periods in 2007. The decrease in salaries, wages and employee benefits for the three and six months ended June 30, 2008, as compared to the same periods in 2007, were primarily the result of decreases in incentives and commission and a reduction in estimated 2008 bonuses, offset in part by annual salary increases during the first quarter of 2008.

Professional fees were \$616,000 and \$1.2 million for the three and six months ended June 30, 2008, respectively, compared to \$428,000 and \$700,000 in the same periods in 2007. The increase in professional fees for the three and six months ended June 30, 2008, as compared to the same periods in 2007, was primarily the result of increased fees associated with the Company's quarterly reviews and/or annual audit and increases in legal and consulting costs associated with Securities and Exchange Commission reporting as well as an efficiency/compliance study of its Bank Secrecy Act function. The increased fees associated with the annual audit included expanded procedures due to the Company's 2006 mergers (i.e., goodwill impairment testing) and expanded procedures due to credit issues at the national and local level.

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Insurance expense was \$436,000 and \$660,000 for the three and six months ended June 30, 2008, respectively, compared to \$140,000 and \$259,000 in the same periods in 2007. The increase for the three and six months ended June 30, 2008, was primarily related to higher Federal Deposit Insurance Corporation (FDIC) insurance expense resulting from deposit growth and increases in rates associated with the Federal Deposit Insurance Reform Act of 2005.

The Company recognized a mark-to-market gain of \$814,000 and a loss of \$15,000 for the three and six months ended June 30, 2008, respectively, associated with interest rate swaps entered into during 2006. Since the Company did not use hedge accounting for these swaps, any fair value adjustment is included in non-interest expense. For the three and six months ended June 30, 2007 there was no corresponding loss on interest rate swaps.

Other operating expenses were \$541,000 and \$1.2 million for the three and six months ended June 30, 2008, respectively, compared to \$539,000 and \$1.1 million in the same periods in 2007. While other operating expense were relatively stable the three months ended June 30, 2008, as compared to the same period in 2007, other operating expenses for

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the six months ended June 30, 2008, increased \$118,000 due primarily to an increase in the Company's allowance for loan losses for off-balance commitments to extend credit of approximately \$112,000 for the first half of 2008.

Income Tax Expense

The Company's income tax (benefit)/expense is the sum of two components, current tax (benefit)/expense and deferred tax (benefit)/expense. The current tax (benefit)/expense is the result of applying the current tax rate to the reportable (loss) or income for tax purposes. The deferred tax (benefit)/expense reflects the (loss)/income on which taxes are (received)/paid versus financial statement pre-tax (loss)/income, as some items of income and expense are recognized differently for income tax purposes than for the financial statements.

The Company recognized an income tax benefit of \$2.5 million and \$1.1 million for the three and six months ended June 30, 2008, respectively, representing an effective tax rate of 35.3% for both periods. For the three and six months ended June 30, 2007 the Company recognized an income tax expense of \$3.1 million and \$6.0 million, respectively, representing an effective rate of 35.1% and 35.2%, respectively. The primary reason for the difference from the federal statutory tax rate of 35% are the inclusion of state taxes and reductions related to tax-advantaged investments in municipal obligations and bank owned life insurance.

Deferred income tax assets or liabilities reflect the estimated future tax effects attributable to differences as to when certain items of income or expense are reported in the financial statements versus when they are reported in the tax return. The Company had a deferred tax asset of \$1.7 million and \$1.5 million as of June 30, 2008 and December 31, 2007, respectively. The change in deferred taxes was primarily attributable to the tax effect of the fair market value change in available-for-sale securities.

FINANCIAL CONDITION*Investment Securities*

The following table summarizes the amortized cost, fair value and distribution of the Company's investment securities as of the dates indicated:

	As of June 30, 2008		As of December 31, 2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Available for sale:				
U.S. Government-sponsored agencies	\$ 6,183	\$ 6,281	\$ 26,537	\$ 26,811
Municipal bonds	19,612	19,814	20,750	20,982
SBA loan pools	350	348	501	497
Mortgage-backed securities	35,168	34,718	40,300	39,897
Mutual funds			30	30
Total available for sale	\$ 61,313	\$ 61,161	\$ 88,118	\$ 88,217
Held to maturity:				
Municipal bonds	\$ 490	\$ 500	\$ 646	\$ 661
SBA loan pools	145	145	155	156
Total held to maturity	\$ 635	\$ 645	\$ 801	\$ 817
Total investment securities	\$ 61,948	\$ 61,806	\$ 88,919	\$ 89,034

As of June 30, 2008, investment securities totaled \$61.8 million, or 3.5% of total assets, compared to \$89.0 million, or 5.3% of total assets, as of December 31, 2007. The decrease in the investment portfolio was due primarily to normal maturities and calls on securities. The proceeds from these maturities were used in part to fund the Company's 2008 loan growth.

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Available-for-sale securities totaled \$61.2 million as of June 30, 2008, compared to \$88.2 million at December 31, 2007. Available-for-sale securities as a percentage of total assets decreased to 3.5% as of June 30, 2008, compared to 5.2% at December 31, 2007. Securities held to maturity decreased to \$635,000 at June 30, 2008 from \$801,000 at December 31, 2007. For the first half of 2008, the tax equivalent yield on the average investment portfolio was 5.26%, representing a decrease of 9 basis points, compared to 5.35% for the same period in 2007.

Loans

The following table sets forth the composition of the Company's loan portfolio as of the dates indicated:

	June 30, 2008	December 31, 2007
	(In thousands)	
Commercial and industrial	\$ 232,579	\$ 210,614
Real estate:		
Commercial	406,218	370,464
Residential	38,853	43,212
Construction and land development	823,429	789,185
Consumer and other	4,797	5,707
 Total gross loans	 1,505,876	 1,419,182
 Less:		
Allowance for Losses	28,050	17,098
Net unearned loan fees and discounts	3,865	5,194
 Total net loans	 \$ 1,473,961	 \$ 1,396,890

The Company's loan portfolio represents the largest single portion of earning assets. The quality and diversification of the Company's loans are important considerations when reviewing the Company's results of operations. The Company's lending activities consist of commercial and industrial, commercial real estate, residential real estate, construction and land development and consumer and other. None of these categories of the loan portfolio contain sub-prime mortgages.

As of June 30, 2008 and December 31, 2007, total gross loans represented 86.2% and 83.8%, respectively of total assets.

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The following table sets forth the detailed composition of the Company's loan portfolio and related amounts for impairment and impaired as of June 30, 2008:

DETAIL COMPOSITE OF LOAN PORTFOLIO

	Balance	Specific Allowance	Total Impaired		
			Total (In thousands)	Accruing	Non Accrual
Real Estate:					
Total Construction & Land					
Single Family					
Single Family Residential	\$ 196,244	\$ 4,375	\$ 30,824	\$ 8,689	\$ 22,135
Condominiums	18,320				
Total Single Family	214,564	4,375	30,824	8,689	22,135
Multifamily	45,954	2,400	14,823	14,823	
Retail	334,100	83	32,168		32,168
Industrial	98,336				
Office	89,963		8,552	6,302	2,250
Other	40,512				
Total Construction & Land	823,429	6,858	86,367	29,814	56,553
Commercial					
Office					
Owner occupied	117,775		2,746		2,746
Non owner occupied	43,291				
Total Office	161,066		2,746		2,746
Retail	124,665	710	2,492	1,282	1,210
Industrial	63,778				
Other	56,709	100	203		203
Total Commercial	406,218	810	5,441	1,282	4,159
Residential	38,853	642	920	517	403
Total Real Estate	1,268,500	8,310	92,728	31,613	61,115
Commercial & Industrial	232,579	2,704	10,343	2,190	8,153
Consumer	4,797		4		4
Total Gross Loans	1,505,876	\$ 11,014	\$ 103,075	\$ 33,803	\$ 69,272

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Allowance for loan losses	28,050	\$ 11,014
Deferred Fees, Net	3,865	
Net Loans	\$ 1,473,961	

Table of Contents**DETAIL COMPOSITE OF CONSTRUCTION & LAND LOAN PORTFOLIO**

	Balance	Specific Allowance	Total Impaired		
			Total (In thousands)	Accruing	Non Accrual
Construction & Land					
Construction					
Single Family					
Single Family Residential	\$ 25,420	\$ 443	\$ 6,424	\$	\$ 6,424
Condominiums	18,320				
Total Single Family	43,740	443	6,424		6,424
Multifamily	7,413	2,400	7,413	7,413	
Retail	139,366		1,362		1,362
Industrial	33,104				
Office	47,453				
Other	10,978				
Total Construction	282,054	2,843	15,199	7,413	7,786
Acquisition & Development					
Single Family					
Single Family Residential	75,300	2,704	17,807	8,609	9,198
Condominiums					
Total Single Family	75,300	2,704	17,807	8,609	9,198
Multifamily	17,535		7,410	7,410	
Retail	131,811	83	30,806		30,806
Industrial	17,464				
Office	24,060		6,302	6,302	
Other	6,468				
Total Acquisition & Development	272,638	2,787	62,325	22,321	40,004
Developed Land					
Single Family					
Single Family Residential	31,816	1,228	4,964	80	4,884
Condominiums					
Total Single Family	31,816	1,228	4,964	80	4,884
Multifamily	21,006				
Retail	39,346				
Industrial	2,433				
Office	145				
Other	18,566				

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Total Developed Land	113,312	1,228	4,964	80	4,884
Raw Land					
Single Family					
Single Family Residential	63,708		1,629		1,629
Condominiums					
Total Single Family	63,708		1,629		1,629
Multifamily					
Retail	23,577				
Industrial	45,335				
Office	18,305		2,250		2,250
Other	4,500				
Total Raw Land	155,425		3,879		3,879
Total Construction & Land	\$ 823,429	\$ 6,858	\$ 86,367	\$ 29,814	\$ 56,553

Table of Contents*Non-performing Assets*

Non-performing assets include non-accrual loans, loans past due 90 days or more still accruing interest and OREO. The following table sets forth information regarding non-performing assets as of the dates indicated:

	June 30, 2008	December 31, 2007	June 30, 2007
		(In thousands)	
Non-accrual loans, not restructured	\$ 69,272	\$ 12,076	\$ 1,311
Accruing loans past due 90 days or more	10	20	
Restructured loans			
Total non-performing loans (NPLs)	69,282	12,096	1,311
OREO	11,033		
Total non-performing assets (NPAs)	\$ 80,315	\$ 12,096	\$ 1,311
Selected ratios			
NPLs to total gross loans	4.60%	0.85%	0.10%
NPAs to total gross loans and OREO	5.29%	0.85%	0.10%
NPAs to total assets	4.60%	0.71%	0.08%

The composite of non-accrual loans as of June 30, 2008 and December 31, 2007 was as follows:

	June 30, 2008			December 31, 2007		
	Non-Accrual Balance	%	Percent of Total Loans	Non-Accrual Balance	%	Percent of Total Loans
	(In thousands, except percentage data)					
Commercial and industrial	\$ 8,153	11.8%	0.54%	\$ 2,042	16.9%	0.15%
Real Estate:						
Commercial	4,159	6.0%	0.27%	4,291	35.5%	0.30%
Residential	403	0.6%	0.03%		0.0%	0.00%
Construction and land development	56,553	81.6%	3.76%	5,738	47.6%	0.40%
Consumer and Other	4	0.0%	0.00%	5	0.0%	0.00%
Total Loans	\$ 69,272	100.0%	4.60%	\$ 12,076	100.0%	0.85%

Non-performing loans and OREO totaled \$69.3 million and \$11.0 million, respectively, at June 30, 2008, resulting in \$80.3 million in non-performing assets. Non-performing loans at December 31, 2007 amounted to \$12.1 million and the Company had no OREO. This increase in non-performing loans was due primarily to the sustained economic downturn in the Company's primary markets and the detrimental affect these economic challenges have had on certain borrowers and the underlying value of collateral that secure these loans

At June 30, 2008, one construction and land development loan in the amount of \$26.2 million represented 1.7% of total gross loans and 37.9% of non-performing loans. Management believes this loan has sufficient collateral to cover the outstanding principal balance as the loan balance represents approximately 55% of the current appraised value of the collateral. The balance of non-performing loans individually ranged in amount from \$4,000 to \$4.6 million.

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The Company's OREO as of June 30, 2008, consists of seven properties totaling \$11.0 million, compared to two properties totaling \$2.8 million at March 31, 2008 and no OREO at December 31, 2007. During the quarter ended June 30, 2008, the Company charged-off \$1.4 million to the allowance for loan losses to record OREO at its estimated fair value less cost to sell. Of the \$1.4 million in loan balances charged-off during the second quarter of 2008, the Company had previously established a specific allowance on these loans of \$1.3 million. The Company also recognized a \$525,000 write down of one OREO property during the second quarter of 2008 to adjust the carrying value of the property to its estimated fair value less

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cost to sell based on acceptance of a purchase offer. One property in the amount of \$2.4 million was sold on July 22, 2008 and for three properties, totaling \$7.2 million, the Company has accepted purchase offers (two of which are in escrow) with anticipated closings in the third quarter of 2008.

Impaired Loans

Impaired loans are loans for which it is probable that the Company will not be able to collect all amounts due according to the original contractual terms of the loan agreement. The category of impaired loans includes all non-accrual loans, regardless of size, as well as other loans that management has reviewed and believes it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement.

The following table sets forth information regarding impaired loans as of the dates indicated:

	June 30, 2008	December 31, 2007
	(In thousands)	
Impaired loans with a valuation allowance	\$ 38,346	\$ 3,097
Impaired loans without a valuation allowance	64,729	26,702
Total impaired loans	\$ 103,075	\$ 29,799
Average balance of impaired loans (1)	\$ 75,408	\$ 15,163
Related valuation allowance	\$ 11,014	\$ 1,283
Interest income recognized on impaired loans (1)	\$ 2,769	\$ 1,551
Interest income recognized on a cash basis on impaired loans (1)	\$ 1,047	\$ 948

(1) For the six months ended June 30, 2008 and twelve months ended December 31, 2007.

Impaired loans totaled \$103.1 million at June 30, 2008, compared to \$29.8 million at December 31, 2007. Impaired loans include all non-performing loans in the amount of \$69.3 million and other loans in the amount of \$33.8 million that, while currently performing, were deemed impaired by management. Based on a comprehensive review of all impaired loans as of June 30, 2008, management anticipates that losses associated with these impaired loans will approximate \$11.0 million and has established a specific allowance for loan losses in this amount.

Table of Contents*Allowance for Loan Losses*

The following table sets forth information regarding the Company's allowance for loan losses for the dates indicated:

	Three Months Ended	Six Months Ended	Year Ended December 31, 2007	Three Months Ended	Six Months Ended
	June 30, 2008	June 30, 2008	31, 2007	June 30, 2007	June 30, 2007
	(In thousands)				
Allowance for Loan Losses:					
Balance at beginning of period	\$ 19,831	\$ 17,098	\$ 14,973	\$ 15,615	\$ 14,973
Charge-offs:					
Commercial and industrial	1,296	1,837	1,125	61	157
Real Estate:					
Commercial	229	229			
Residential	1,261	1,261	228		
Construction and land development	3,284	4,284			
Consumer and other	56	60	199	68	71
Total charge-offs	6,126	7,671	1,552	129	228
Recoveries					
Commercial and industrial	115	218	294	13	272
Real Estate:					
Commercial					
Residential			26		
Construction and land development	4	11	1		
Consumer and other			1		
Total recoveries	119	229	322	13	272
Net loans charge-offs (recoveries)	6,007	7,442	1,230	116	(44)
Provision for loan losses	14,226	18,394	3,355	486	968
Balance at end of period	\$ 28,050	\$ 28,050	\$ 17,098	\$ 15,985	\$ 15,985

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Total gross loans	\$ 1,505,876	\$ 1,505,876	\$ 1,419,182	\$ 1,366,362	\$ 1,366,362
Average gross loans (net of deferred fees)	1,493,582	1,465,222	1,318,995	1,301,307	1,282,448
Non-performing loans	69,282	69,282	12,096	1,311	1,311
Non-performing assets	80,315	80,315	12,096	1,311	1,311

Selected ratios:

Net charge-offs (recoveries) to average loans (annualized)	1.62%	1.02%	0.09%	0.04%	-0.01%
Provision for loan losses to average loans (annualized)	3.83%	2.52%	0.25%	0.15%	0.15%
Allowance for loan losses to total gross loans outstanding at end of period	1.86%	1.86%	1.20%	1.17%	1.17%
Allowance for loan losses to total non-performing loans	40%	40%	141%	1,219%	1,219%
Allowance for loan losses to total non-performing assets	35%	35%	141%	1,219%	1,219%

Due to increases in the general allowance for loan losses and the specific allowance for loan losses on impaired loans, the Company's allowance for loan losses increased to \$28.1 million as of June 30, 2008, compared to \$17.1 million at December 31, 2007. As a result of these factors the Company recorded a provision of \$14.2 million and \$18.4 million for second quarter and first half of 2008, respectively, compared to \$486,000 and \$968,000, respectively, for the same periods in 2007. As of June 30, 2008, the allowance for loan losses was 1.86% of total gross loans, compared to 1.20% at December 31, 2007.

Management believes the level of allowance as of June 30, 2008 is adequate to absorb the estimated losses from any known or inherent risks in the loan portfolio. However, the Company's results can be significantly influenced by changes in the credit quality of its borrowers. The Company's allowance for loan losses, OREO, charged-off loans and the provision of loan losses all increased significantly in the second quarter and first half of 2008, compared to the same periods in 2007. These increases are primarily the result of the weakening economies and deterioration of the residential real estate sectors experienced in the Company's primary markets during the second half of 2007 and continuing into the first half of 2008 and the effect these conditions had on its commercial and industrial, commercial real estate, residential and construction and land development loans (e.g., increased charge-offs, an increase in the economic risk metrics and an increase in the valuation allowance for impaired loans). As a result, while management believes the allowance for loan losses is adequate to absorb the estimated losses from any known or inherent risks in the loan portfolio, any prolonged or further deterioration in the real estate markets with resulting declines in the value of real estate collateral may cause higher levels of non-performing assets and loan losses in future periods.

Table of Contents*Goodwill*

Goodwill represents the excess of the consideration over the fair value of the net assets acquired through the 2005 and 2006 acquisitions of Bank of Commerce, Community Bank of Arizona and Valley Bancorp. Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized but rather tested for impairment, at least annually. The Company's annual testing of impairment was last conducted as of October 1, 2007 for each of its reporting units (i.e., segments). No impairment of goodwill was identified at that time. In accordance with SFAS No. 142, goodwill of a reporting unit shall be tested for impairment between annual tests if an event or circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. As of June 30, 2008, management does not believe any events have occurred that require a current test for impairment. However, management will continue to monitor events and circumstances and if deemed necessary perform tests for impairments prior to the annual testing which might result in a reduction of the carrying value of the goodwill and an impairment loss. Because goodwill is not included in the calculation of risk-based capital, the Company's regulatory risk-based capital would not be impacted by this potential expense.

Deposits

Total deposits increased by \$98.8 million, or 8.03%, to \$1.33 billion as of June 30, 2008, from \$1.2 billion as of December 31, 2007. The increase in deposits is attributable to an increase in wholesale interest bearing demand deposits and wholesale time deposits, which were secured to reduce the Company's short term Federal Home Loan Bank (FHLB) borrowings and fund a substantial portion of the Company's loan growth during the first half of 2008.

At June 30, 2008, seven customer balances totaling \$461.4 million comprised 34.7% of total deposits. These customer balances constitute all brokered deposits at June 30, 2008. Of these deposits at June 30, 2008, \$364.7 million were interest bearing wholesale demand deposits and \$96.7 million were other time deposits.

Borrowings and Junior Subordinated Debt

The Company regularly uses the Federal Home Loan Bank of San Francisco (FHLB) for short term and long term borrowings. FHLB term debt, which matures from July 2008 through March 2009, amounted to \$93.3 million at June 30, 2008. Interest on all FHLB borrowings accrued at an average rate of 3.95% and 4.15% for the three and six months ended June 30, 2008, respectively. Remaining available debt financing through the FHLB amounted to \$69.1 million at June 30, 2008.

The Company also has agreements with other lending institutions under which it can purchase up to \$108.0 million of federal funds. The interest rate charged on borrowings is determined by the lending institutions at the time of borrowings. Each line is unsecured. As of June 30, 2008 and December 31, 2007, there were no federal funds purchased.

In September 2007, the Company borrowed \$15.5 million and used the proceeds to redeem junior subordinated debt owed to Community Bancorp (NV) Statutory Trust I which used the proceeds to redeem its trust preferred issuances. The borrowing is unsecured, bears interest at the one month LIBOR plus 1.50% (equal to 3.88% at June 30, 2008), is payable in the amount of approximately \$461,000 monthly with all unpaid interest and principal due on September 26, 2010 and requires the lender's approval prior to issuing dividends to shareholders. The outstanding balance on the note was \$11.8 million and \$14.3 million as of June 30, 2008 and December 31, 2007, respectively.

The Company had \$72.2 million of subordinated debentures outstanding at June 30, 2008, which bore interest at an averaged rate of 5.76% and 6.10% for the three months and six months ended June 30, 2008, respectively. The subordinated debentures were issued in three separate series. Each issuance has a maturity of thirty years from its date of issue. The subordinated debentures were issued to trusts established by the Company, which in turn issued trust preferred securities. The proceeds from the issuance of the securities were used to fund the Company's 2005 and 2006 acquisitions.

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In accordance with FIN 46 (revised December 2004), *Consolidation of Variable Interest Entities-an interpretation of ARB No. 51*, statutory trusts are not reported on a consolidated basis. Therefore, the trust preferred debt securities of \$70.0 million do not appear on the Consolidated Balance Sheets. Instead, the junior subordinated debentures of \$72.2 million payable by Community Bancorp to the statutory trusts and the investment in the statutory trusts common stock of \$2.2 million (included in other assets) are reported on the Consolidated Balance Sheets.

REGULATORY MATTERS

The regulatory capital guidelines as well as the actual capital ratios for Community Bank of Nevada, Community Bank of Arizona and the Company as of June 30, 2008 are as follows:

	Minimum Regulatory	Well Capitalized	Community Bank of Nevada	Actual Community Bank of Arizona	Community Bancorp
Tier 1 leverage capital	4.00%	5.00%	11.17%	21.14%	11.27%
Tier 1 risk-based capital	4.00%	6.00%	10.97%	18.37%	10.98%
Total risk-based capital	8.00%	10.00%	12.23%	19.63%	12.24%

In March 2005, the Federal Reserve Bank adopted a final rule that allows the continued inclusion of trust preferred securities in the Tier I capital of bank holding companies, subject to stricter quantitative limits and qualitative standards. Under the final ruling, qualifying mandatory preferred securities may be included in Tier I capital, subject to a limit of 25% of all core capital. Amounts of restricted core capital elements in excess of this limit generally may be included in Tier II capital. The quantitative limits become effective on March 31, 2009, after a four-year transition period. As of June 30, 2008, the junior subordinated debentures have been included in Tier I capital for regulatory capital purposes up to the specified limit (\$70.0 million).

LIQUIDITY MANAGEMENT

The Company's liquidity represented by cash and due from banks, federal funds sold and available-for-sale securities, is a result of its operating, investing and financing activities and related cash flows. In order to ensure funds are available at all times, the Company devotes resources to projecting the amount of funds that will be required and maintains relationships with a diversified customer base so that funds are accessible. The Company has the ability to increase liquidity by soliciting higher levels of deposit accounts through promotional activities, wholesale funding, borrowing from its correspondent banks, and the FHLB.

Management believes the Company's liquid assets are adequate to meet its cash flow needs for loan funding and deposit withdrawals. At June 30, 2008, the Company had \$75.6 million in liquid assets comprised of \$14.4 million in cash and cash equivalents and \$61.2 million in available-for-sale securities. The \$32.1 million decrease in liquidity since December 31, 2007 was primarily a result of lower available-for-sale securities resulting from scheduled maturities which were used in part to fund the Company's 2008 loan growth.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices, interest rates, foreign currency exchange rates, commodity prices and equity prices. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. Management uses various asset/liability strategies to manage the re-pricing characteristics of the Company's earning assets and funding liabilities to ensure that exposure to interest rate fluctuations is within its guidelines of acceptable risk-taking. Hedging strategies, including the terms and pricing of loans and deposits, and managing the deployment of the Company's securities are used to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Interest rate risk is addressed by our Asset Liability Management Committee (ALCO) which is comprised of executive officers of the Company. The ALCO monitors interest rate risk by analyzing the potential impact on the net equity value and net interest income from potential changes in interest rates, and considers the impact of alternative strategies or changes in balance sheet structure. The ALCO manages the Company's balance sheet in part to maintain, within acceptable ranges, the potential impact on net equity value and net interest income despite fluctuations in market interest rates.

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Exposure to interest rate risk is reviewed on at least a quarterly basis by the ALCO and the Board of Directors. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine the change in net portfolio value in the event of hypothetical changes in interest rates. If potential changes to net equity value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, management may adjust the asset and liability mix to bring interest rate risk within approved limits.

Item 4. Controls and Procedures

Evaluation of Controls and Procedures

With the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) were evaluated as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that:

- (a) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and the other reports which the Company files or submits under the Exchange Act would be accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure;
- (b) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and the other reports which the Company files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- (c) the Company's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Company and its consolidated subsidiary is made known to them, particularly during the period for which periodic reports, including this Quarterly Report on Form 10-Q, are being prepared.

Changes in Internal Control over Financial Reporting

There were no changes during the period covered by this Quarterly Report on Form 10-Q in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in legal proceedings as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Item 1A. Risk Factors

There have been no material changes in the discussion pertaining to risk factors that was provided in the December 31, 2007 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock Repurchase Program

The Board of Directors at its regular meeting of July 25, 2007, authorized the purchase of up to 5% of the Company's outstanding shares as of June 30, 2007, or 520,996 shares, over the next twelve months. During the three and six months ended June 30, 2008, the Company did not repurchase any shares. As of June 30, 2008, the Company had repurchased 316,200 shares under the July 2007 authorization.

Item 3. Defaults Upon Senior Securities

None.

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders**

The following item was submitted to the security holders for approval at the Annual Meeting of Shareholders held on May 29, 2008:

1. Election of Board of Directors

Pursuant to the Company's by-laws and vote of the shareholders, the following individuals have been elected, with results of the vote as follows, to serve as members of the Board of Directors until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified:

Director	For	Withheld
Jacob D. Bingham	8,189,110	372,027
Dan H. Stewart	8,214,102	347,035
Edward M. Jamison	8,490,596	70,541
Gary W. Stewart	8,202,304	358,833
Lawrence K. Scott	8,492,813	68,324
Jack M. Woodcock	8,215,223	345,914

Total shares voted were 8,561,137 (or 83.4% of shares outstanding) of which 2,084,460 and 6,476,677 were individuals and brokers, respectively.

2. Approval of an Amendment to the Company's Articles of Incorporation

The amendment of the Articles of Incorporation to authorize an increase in the number of authorized shares of common stock to 50,000,000 and to create a class of preferred stock in the amount of 20,000,000 shares that, if issued, will have such terms, rights and features as may be determined by the Board of Directors was approved by the following vote:

For	Against	Abstained
6,060,832	2,491,329	8,973

3. Ratification of independent public accountants for 2008

The ratification of Grant Thornton, LLP as the Company's independent public accountants for 2008 was approved by the following vote:

For	Against	Abstained
8,527,085	31,499	2,551

Item 5. Other Information

During the quarter ended June 30, 2008, there were no changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors.

Item 6. Exhibits

- 3.1 Certificate of Amendment to Articles of Incorporation
- 31.1 Rule 13a-14(a) Certification by Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification by Chief Financial Officer
- 32.1 Section 1350 Certifications

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY BANCORP

By: /s/ Edward M. Jamison
Edward M. Jamison
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 7, 2008

COMMUNITY BANCORP

By: /s/ Patrick Hartman
Patrick Hartman
Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)
(Chief Accounting Officer)

Dated: August 7, 2008

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EXHIBIT INDEX

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