



Comptroller of the Currency

Small

Administrator of National Banks

Bank

Public Disclosure

June 14, 1999

Community Reinvestment Act Performance Evaluation

**Twin River National Bank
Charter Number 16814**

**433 Elm Street
Clarkston, Washington 99403**

**Comptroller of the Currency
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Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Twin River National Bank** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of June 14, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated satisfactory.

Twin River National Bank demonstrates a reasonable loan-to-deposit percentage given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's lending is within its assessment area and reflects both a reasonable geographic distribution and reasonable dispersion among businesses of different sizes. The bank complies with the provisions of anti-discrimination laws and has not received any written consumer complaints associated with the bank's performance under the CRA.

Description of Institution

Twin River National Bank (TR) is a community bank with assets of \$39 million as of June 14, 1999. The bank's main office is in Clarkston, Washington with branches in Lewiston, Idaho and Asotin, Washington. It has no automated teller machines. The bank is a wholly owned subsidiary of Twin River Financial Corporation, a one-bank holding company headquartered in Lewiston, Idaho.

There are no material impediments that affect the bank's ability to meet the credit needs of its assessment area. As of May 31, 1999, net loans outstanding are \$19.4 million and represent 46 % of total assets.

TR's primary business focus is lending to small businesses. As of May 31, 1999, the loan portfolio consisted of 65% business loans, 29% residential real estate loans, and 6% consumer loans by dollar amount. For this examination, we evaluated CRA performance based on lending to businesses.

TR received a Satisfactory rating for meeting the community's credit needs at the previous OCC examination in May 1996.

Description of Assessment Area

The bank's assessment area (AA) comprises the cities of Lewiston, Clarkston, and Asotin. The AA contains 14 census tracts which are contiguous and separated only by the Snake River which is the boundary between the States of Washington and Idaho. The bank's assessment area meets the requirement of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geography. According to 1997 Dun and Bradstreet business data, there are 1,654 businesses operating in the bank's AA. The major employers in the bank's AA are the Potlatch Corporation which provides 3,000 jobs, Lewis & Clark State College with 921 jobs, and St. Joseph Regional Medical Center with 847.

The geographies of the AA are primarily middle- and upper-income. The AA contains 6 census tracts which are middle-income, 5 upper-income, and 3 moderate-income. There are no low-income census tracts in the AA. A majority, 96%, of the 1,654 businesses in the AA are small businesses with gross annual revenues of \$1 million or less.

The income level of the AA population is primarily middle- and upper-income families. U.S. Department of Housing and Urban Development data estimates the 1998 non-metropolitan median family income for the State of Idaho at \$37,400 and \$37,300 for Washington. Based upon this data and the 1990 U.S. Census, the AA comprises 42% upper-income families, 23% middle-income families, 17% moderate-income families, and 18% low-income families.

Competing financial institutions in the AA are primarily branches of multi-state banks such as U.S. Bank and First Security Bank. These branches target the same small businesses as TR. The Potlatch Federal Credit Union located in Lewiston also presents keen competition for individual deposits and consumer loans.

We conducted one community contact in the bank's assessment area to learn about credit needs within the area and how well financial institutions are addressing those needs. Our contact represented a city government office. The contact confirmed a continuing need for a locally-owned community bank which is responsive to the credit needs of the

local businesses and their families. He stated that the city desires to grow and diversify its economic base. And he believes that the banks are supportive of those goals.

The following chart summarizes the assessment area demographics by population and number of businesses. Small businesses are defined as having annual gross revenues of \$1 million or less.

Assessment Area Characteristics						
Income Level of Census Tracts	Number of Census Tracts	1990 Census Population	Businesses		Small Business	
			#	%	#	%
Low	0	0	0		0	
Moderate	3	8,973	644	41%	634	40%
Middle	6	19,584	572	33%	546	34%
Upper	5	18,630	438	25%	414	25%
Total	14	47,187	1,654	100%	1,594	100%

Source: 1990 U.S. Census and Dun & Bradstreet Inc

Conclusions with Respect to Performance Criteria

Loan to Deposit Percentage

< TR's loan-to-deposit (LTD) percentage is reasonable given the bank's size, financial condition, and assessment area credit needs.

We analyzed TR's LTD percentage over the period July 1, 1996 through March 31, 1999. During these eleven quarters, the bank's LTD percentage ranged from a low of 50.1% for the quarter ending December 31, 1998 to a high of 79.3% for the quarter ending June 30, 1997 with an average percentage of 64.4%.

We compared this LTD percentage to that of 3 community banks that are similarly situated; one in Lewiston, one in Eastern Oregon and one in Eastern Washington. Each of these banks are full service banks similar in size and located in non-metropolitan communities. On average, the LTD percentage for these banks for the past three years was 68.9%, ranging from 58.4% to 77.8%. As of 12/31/98 these banks ranged in size from \$35 million in total assets to \$47 million. In comparison, TR's total assets at 12/31/98 are \$39 million.

Percentage of Lending in the Assessment Area

< A majority of the bank's loans are within its AA.

Based on bank data, the bank originated a total of 829 business loans totaling \$36 million since our previous examination in May 1996. The bank routinely compiles the date and amount of new loans but not the geographic location. As a result, we conducted a random sample of 33 of the business loans to determine their geographic location and to identify the number and dollar volume of loans originated within the assessment area. We drew this sample from loans originated from July 1996 to March 1999, selecting one from each month. This is our assessment period. Based on this sample, 94% by number (31) and 98% by dollar (\$1,288M) were originated within the assessment area. These are strong percentages and indicate the bank originates a majority of its loans within the assessment area.

Distribution of Loans to Businesses of Different Sizes

< The distribution of loans to businesses of different sizes within the AA is reasonable.

TR's primary lending focus is to businesses. At May 31, 1999, 65% of total loans outstanding are to businesses. Our review of the bank's financial data over the past three years confirms that loans to businesses have been and remain the major focus. Thus, our analysis of the bank's lending performance gives the most weight to this loan category.

We reviewed our sample of business loans to identify the distribution of loans to businesses of different revenue sizes. We relied upon business revenue data from Dun & Bradstreet Corporation and we included only those businesses for which Dun & Bradstreet reported revenue information.

The following table shows the distribution of the business loans we reviewed by revenue size.

Distribution of Business Loans by Revenue Size of Business

Gross Annual Revenues 000's	# of Business in Assessment Area(1)	% of Business in Assessment Area	# of Loans Reviewed	% of Loans Reviewed
\$100 & less	1,594	96%	21	68%
\$101-\$250			8	26%
\$251 - \$1 million			0	0%
over \$1 million	60	4%	2	6%
Total	1,654	100%	31	100%

(1): This information is based on 1997 Dun & Bradstreet business revenue data.

The data reflects a reasonable distribution of loans to businesses of different sizes. Given the demographics of the area, TR's lending reflects adequate penetration among small businesses. Based upon our sample, 94% of the loans were made to small businesses. This compares favorably to 1997 aggregate business data which shows 96% of the businesses in the assessment area have annual revenues of \$1 million or less. Small businesses are defined as entities which generate gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

< The geographic distribution of business loans reflects reasonable dispersion throughout the AA.

We used our sample of 31 loans to estimate the geographic distribution of the bank's business loans among census tracts of various income levels. We found that our sample loans were spread fairly evenly among the different income levels throughout the AA. The following table compares the distribution of the loans we sampled to the income distribution of the census tracts within the bank's AA.

Assessment Area Geographic Distribution						
Income level of tract	% of total tracts	# of tracts	# of loans reviewed	% of loans reviewed	\$ of loans in 000's	% of loans reviewed
Low	0	0	0	0	0	0
Moderate	21%	3	10	32%	\$491	38%
Middle	43%	6	12	39%	\$379	29%
Upper	36%	5	9	29%	\$418	33%
Total	100%	14	31	100%	\$1,288	100%

source: 1990 U.S. Census & loan sample

Discriminatory Practices

We conducted a concurrent fair lending examination and found no evidence of discriminatory lending practices. The bank complies with the provisions of anti-discrimination laws and regulations.

Review of Complaints

There were no written consumer complaints associated with the bank's performance under the Community Reinvestment Act.