



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**November 12, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Twin River National Bank  
Charter Number 16814**

**900 5th Street  
Clarkston, WA 99403**

**Comptroller of the Currency  
1000 Second Avenue, Suite 3300  
Seattle, WA 98104**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

This institution is rated “**Satisfactory**”.

The major factors that support this rating include:

- ◆ The bank’s loan-to-deposit ratio of 59 percent is reasonable when compared to peer banks.
- ◆ A substantial majority of loans are made within the assessment area.
- ◆ The distribution of loans reflects excellent penetration among borrowers of different income and businesses of different sizes.
- ◆ The geographic distribution of loans reflects adequate dispersion throughout the assessment areas.
- ◆ There were no public complaints about the bank's CRA performance.

## DESCRIPTION OF INSTITUTION

Twin River National Bank (TRNB) is a community bank with assets of \$57 million as of September 30, 2004. The bank's main office is in Clarkston, Washington with branches in Lewiston, Idaho and Asotin, Washington. The bank has not opened or closed any branches since the last evaluation period; however, two automated teller machines (ATMs) were opened at the Clarkston and Lewiston branches in April 2003 and August 2000, respectively. The bank is a wholly owned subsidiary of Twin River Financial Corporation, a one-bank holding company headquartered in Lewiston.

There are no material impediments that affect the bank's ability to meet the credit needs of its assessment area. As of September 30, 2004, net loans outstanding are \$28 million and represent 49% of total assets.

The bank provides traditional banking services with a commercial focus. Consumer and retail services are available as well, including VISA credit cards, consumer real estate loans, and consumer loans. Commercial lending activities are centered in real estate, construction, and commercial lending. The bank is a participant in the Small Business Administration (SBA) guarantee program and rural development loans.

TRNB offers the capability to perform banking functions through various channels. Some or all of these channels are widely available to all customers. Traditional avenues (personal visits) are enhanced by TRNB's hours of operation. Telephone banking services are available to all customers. Online Banking services are also offered (currently at no charge) to all TRNB customers. The Online Banking product allows customers to retrieve balances, transfer funds, print statements, e-mail the bank, and access account histories. The bank maintains a website that provides bank information including product and service descriptions, bank news, bank financial information, and "contact us" capabilities via e-mail.

TRNB received a Satisfactory rating for meeting the community's credit needs at the previous OCC examination dated June 1999.

Please refer to the bank's CRA public file for more information about the institution.

### **Determination of Primary Loan Products**

Table 1 reflects the bank's loan portfolio composition as of October 31, 2004.

Table 1

<b>LOAN PORTFOLIO COMPOSITION</b> <b>October 31, 2004</b>	
<b>Loan Type</b>	<b>% of Portfolio</b>
Commercial (including commercial RE)	44%
Agriculture (including Farmland loans)	4%
Residential Real Estate	29%
Consumer	23%
<b>Total:</b>	<b>100%</b>

\*Source: Bank Compiled Data based on number of Loans

For this examination, we evaluated CRA performance based on residential real estate and commercial lending. We selected these loan products for review because the bank is primarily a commercial lender, but also has a majority of consumer real estate secured loan originations.

The percentage of the bank's assessment area defined as LMI according to the U.S. Census decreased from 19 percent in 1990 to 13 percent in 2000. In order to improve the accuracy of our results and compensate for that change, we compared loans originated between 2000 and 2002 to the 1990 Census data, and loans originated during 2003 and 2004 to the 2000 Census data.

## **DESCRIPTION OF ASOTIN / NEZ PERCE COUNTIES**

The bank's assessment area (AA) comprises the cities of Lewiston, Clarkston, and Asotin. The AA contains 16 census tracts, which are contiguous and separated only by the Snake River, the boundary between the States of Washington and Idaho. Cities in the assessment area include Asotin, Clarkston, Culdesac, Kendrick, and Lewiston. The bank's main office is located in a moderate-income tract and the branches are located in middle-income tracts. The bank's assessment area meets the requirement of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geography.

The assessment area is comprised of 16 census tracts (0 low-income, 2 moderate-income, 9 middle-income, and 5 upper-income). Moderate-income census tracts account for 13 percent of the total census tracts in the assessment area. Total population recorded in the 2000 U.S. Census for the assessment area was 57,961, an increase of 13 percent from the 1990 Census. The 2003 U.S. Department of Housing and Urban Development (HUD) estimated median family income was \$44,762. Based upon this data and 2000 Census data, the assessment area is comprised of 18 percent low-income families, 19 percent moderate-income, 21 percent middle income, and 42 percent upper-income. Twelve percent of the population is below the poverty level.

There is strong competition among financial institutions in Asotin and Nez Perce Counties. There are eight commercial banks with 17 branches. Also, there are five credit unions that operate in the town of Lewiston.

Primary employers in the assessment area are Washington State University, University of Idaho, Potlatch Corporation (forest products), and the Nez Perce Tribe (gambling). Trade and manufacturing are the primary employment opportunities in the area. As of September 2004, the unemployment rate is at 4.40 percent.

In conjunction with this CRA examination, we conducted a community contact interview. Community contacts are interviewed to learn about credit opportunities within the community, and how well financial institutions address the credit and service needs of the community. The contact for this examination was an individual from a non-profit organization that provides information about the Lewis-Clark Valley for companies looking to expand / relocate. The contact stated that the Lewis-Clark Valley is home to a number of commercial lenders, from local homegrown banks to branches of large banks. Part of what sets them apart from other, more urban markets is their individual commitment to business customer service. Many Lewis-Clark Valley lenders are very active in the community.

Please refer to the bank's CRA public file for more information about the assessment area.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The loan-to-deposit (LTD) ratio demonstrates a willingness to lend. The bank's level of lending is reasonable given the bank's size, the credit needs of the assessment area, and the competitive banking market within the assessment area. We analyzed the bank's quarterly LTD ratio from September 1999 to June 2004. During this period, the LTD ratio ranged from a low of 49 percent to a high of 64 percent, with an average of 59 percent.

The bank's LTD ratio was compared to peer banks that operate in TRNB's assessment area or other areas with similar demographics within the states of Washington and Idaho, and are comparable in asset size. The peer group consists of 13 peer banks, ranging in total asset size from \$22 million to \$64 million. We analyzed the peer group's quarterly LTD ratio over the same time period, and the group average was 71 percent.

Based on the data presented, TRNB's average LTD ratio is 12 percentage points below the peer average. There are some mitigating factors that explain why their ratio is low. First, there is strong competition in the Asotin and Nez Perce counties, with 22 banks and credit unions in the assessment area with a population of 58,000. Second, the bank has approximately 19 percent of their deposits (\$8 to \$12 million) and public deposits from the Washington municipality. In addition, management stated that at month end, the balance is increased by \$1 - \$2 million for expenditures. Since the LTD is calculated at a specific point in time, these additional funds decrease their LTD ratio by an average of 5 percent.

In addition, the bank originates consumer real estate secured loans that are sold on the secondary market that are not reflected in the LTD ratio. Table 2 summarizes that activity.

Table 2

<b>Loans Sold on the Secondary Market</b>			
<b>Year</b>	<b># of Loans</b>	<b>\$ of Loans (000)</b>	<b>% Based on Net Loans</b>
2000	10	890	4%
2001	24	2,484	10%
2002	31	2,064	7%
2003	42	4,406	16%
2004	17	1,877	7%
<b>Total:</b>	<b>124</b>	<b>11,721</b>	

When we compare the consumer real estate loans sold on the secondary market, this represents a significant portion of their loan portfolio, ranging from 4 percent to 16 percent of the loan portfolio as of December 31st of each year, with 2004 originations compared to the net loans on record as of September 30, 2004.

On the commercial lending side, the bank originates Small Business Administration (SBA) 7(a) loans. The SBA 7(a) program is a federal government sponsored program that provides loan guarantees for profit-motivated small businesses that otherwise could not obtain a conventional bank loan. During the evaluation, period the bank originated 17 loans totaling \$2.54 million.

Based on the strong competition in the assessment area, large percentage of public deposits, consumer real estate originations sold on the secondary market, and SBA lending, the bank LTD is reasonable and meets the standard for satisfactory performance.

### **Lending in Assessment Area**

A substantial majority of loans and other lending-related activities are in the bank's assessment area.

Analysis for lending in the assessment area included a sample of 20 consumer real estate and 20 commercial loans originated during the years 2000-2004. The sample totaled \$3.4 million. Table 3 demonstrates the distribution of loans originated inside and outside of TRNB's assessment area.

Table 3

<b>Twin River National Bank Lending in Asotin / Nez Perce Assessment Area*</b>										
<b>Loan Type</b>	<b>Number of Loans</b>				<b>Dollars of Loans (000)</b>					
	<b>Inside</b>		<b>Outside</b>		<b>Inside</b>			<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Commercial	19	95%	1	5%	2,218	97%	54	3%		
Residential RE	19	95%	1	5%	1,144	99%	12	1%		
<b>Totals:</b>	<b>38</b>	<b>95%</b>	<b>2</b>	<b>5%</b>	<b>3,362</b>	<b>98%</b>	<b>66</b>	<b>2%</b>		

\*Source: Random sample of residential real estate and commercial loans.

As demonstrated in Table 3, both in number of loans and dollar volume, the bank originated a substantial majority of its loans within the assessment area. Consequently, the bank's lending to businesses within the assessment area exceeds the standard for satisfactory performance.

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

The bank's distribution of loans, given the demographics of the assessment area, reflects excellent penetration among lending to borrowers of different income levels and businesses of different sizes.

The random sample included 24 consumer real estate and 20 commercial loans. These loans were originated between the years 2000 and 2004, and were within the bank's assessment area.

Table 4 below reflects the distribution of residential-related loans by borrower income level and compares it to the distribution of families in the assessment area by income level.

Table 4

<b>Borrower Distribution of Residential Real Estate Loans Asotin / Nez Perce Assessment Area</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of Number of Loans</b>	<b>% of AA Families</b>						
2000 - 2002 Sample <sup>1</sup>	25%	<b>19%</b>	17%	<b>18%</b>	17%	<b>22%</b>	41%	<b>41%</b>
2003 - 2004 Sample <sup>2</sup>	0%	<b>18%</b>	33%	<b>19%</b>	33%	<b>21%</b>	34%	<b>42%</b>
<b>Totals:</b>	<b>13%</b>	<b>19%</b>	<b>25%</b>	<b>19%</b>	<b>25%</b>	<b>22%</b>	<b>37%</b>	<b>42%</b>

Demographic Data Source : <sup>1</sup> 1990 U.S. Census <sup>2</sup> 2000 U.S. Census

Based on the data presented above the bank's lending to low-income families is above the demographics of the assessment area for loans originated in 2000-2002; however, originations in 2003-2004 are below the demographics. Twelve percent of the families in the assessment area have income below the poverty level. This high percentage makes it difficult for the bank to lend to these individuals. In addition, based on 2000 Census data, approximately 83 percent of the low-income families live in moderate- and upper-income census tracts, where the median housing price is above their ability to obtain loans. This is an increase from 71 percent based on 1990 US Census data. Due to the mitigating circumstances, the bank's lending to low-income borrowers is reasonable.

Lending to moderate-income individuals is consistent 2000-2002 and above for the 2003-2004 sample when compared to the demographics of the area. When we review the sample as a whole, compared to average demographic data, the bank's lending moderate-income borrowers exceeds the demographics of the assessment area.

For our commercial loan sample, we compared the bank's lending to businesses in the assessment area to the demographics of small businesses of the assessment area. Small businesses are those with gross revenues of \$1 million or less. Updated business demographics provided by Dun & Bradstreet reflect that 64 percent of the businesses in the assessment area are small businesses.

Table 5 reflects the distribution of commercial lending by business revenue size.

Table 5

<b>Income Distribution of Loans to Businesses Asotin / Nez Perce Assessment Area</b>		
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
<b>% of AA Businesses*</b>	<b>64%</b>	<b>5%</b>
<b>% of Bank Loans in AA by #</b>	<b>75%</b>	<b>25%</b>
<b>% of Bank Loans in AA by \$</b>	<b>62%</b>	<b>38%</b>

\* Demographic Data Source: 2003 Dun & Bradstreet - 31% of AA businesses did not report revenue data

The bank lending to small businesses based on number of loans exceeds the demographics of their assessment area based on Dun & Bradstreet data. We place more emphasis on number of loans than dollar volume, because larger businesses tend to borrow larger sums of money. Consequently, the bank lending to businesses of different sizes exceeds the standard for satisfactory performance.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects adequate dispersion throughout the assessment area.

Geographic distribution of lending is reviewed for the pattern of lending activity between low- and moderate-income tracts within the assessment area. Overall, the bank's lending distribution is reflective of the population demographics in the various income areas. The distribution of TRNB's lending does not indicate that the bank excludes LMI areas.

We reviewed the pattern for geographic distribution of lending between low- and moderate-income tracts within the assessment areas. Table 6 details the bank's consumer real estate lending and Table 7 details the commercial lending activity within the assessment area. We used the same sample of loans from the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** section of this report.

Table 6

<b>Geographic Distribution Residential Real Estate Loans Asotin / Nez Perce Assessment Area</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of Number of Loans	<b>% of AA Owner Occupied Housing</b>						
2000 - 2002 Sample <sup>1</sup>	0%	<b>0%</b>	17%	<b>8%</b>	67%	<b>51%</b>	17%	<b>41%</b>
2003 - 2004 Sample <sup>2</sup>	0%	<b>0%</b>	17%	<b>14%</b>	75%	<b>46%</b>	8%	<b>40%</b>

*Demographic Data Source: <sup>1</sup> 1990 U.S. Census <sup>2</sup> 2000 U.S. Census*

Consumer real estate lending in moderate-income census tracts exceeds the demographics of the assessment area.

The table below identifies the bank's lending pattern for commercial borrowers.

Table 7

<b>Geographic Distribution of Loans to Businesses Asotin / Nez Perce Assessment Area</b>								
<b>Census Tract Income Level <sup>1</sup></b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of Number of Loans	<b>% of AA Businesses</b>						
<b>Sample:</b>	0%	<b>0%</b>	10%	<b>11%</b>	75%	<b>60%</b>	15%	<b>29%</b>

*Demographic Data Source: <sup>1</sup> 2003 Dun & Bradstreet*

The bank's lending to businesses located in moderate-income tracts is consistent with the demographics of the assessment area.

## Responses to Complaints

TWNB has not received any written complaints associated with its performance under the Community Reinvestment Act.

### **Community Development Services**

TRNB management and staff participate in a variety of community development organizations, which provide services low- to moderate-income individuals, small business development and affordable housing. These organizations include: Lewiston, Clarkston, and Asotin Chambers of Commerce, Lewis Clark Homebuilders Association, Board of Realtors, Twin County United Way, Valley Boys and Girls Club, and Valley Meals on Wheels. A current list of staff involvement can be found on the bank's website.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.