



**Comptroller of the Currency
Administrator of National Banks**

Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105
(415) 545-5900

PUBLIC DISCLOSURE

November 18, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Tukwila
Charter Number 18711**

**505 Industry Drive, P.O. 58690
Tukwila, WA 98138**

**Comptroller of the Currency
Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105**

<p>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.</p>

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 Community Reinvestment Act (CRA) performance of **National Bank of Tukwila** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 18, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

National Bank of Tukwila demonstrates a reasonable loan-to-deposit ratio given the bank's size, its capacity to lend, and the market in which it operates. A majority of the bank's loans are in its assessment area and reflect both a reasonable geographic distribution and reasonable dispersion among businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	National Bank of Tuskwila Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	The bank has not received any complaints related to its CRA performance		

DESCRIPTION OF INSTITUTION:

The National Bank of Tukwila (NBT) is a small community bank located in Tukwila, Washington, a suburb adjacent to the southern tip of Seattle, Washington. The bank primarily serves the city of Tukwila and the surrounding cities of Kent, Burien, Sea Tac, Des Moines, Federal Way and Auburn. The assessment area (AA) includes all but the northeastern section of Renton. NBT commenced operation in September of 1985 and is a wholly owned affiliate of NBT Northwest Bancorp, a bank holding company with 320 shareholders. The bank has one office and no drive-up facilities, branches or proprietary ATMs. The bank offices are in the Hallmark Industrial Park which is a development of light industrial, wholesale, retail and service oriented businesses. NBT is in sound financial condition and has total assets of \$34 million as of September 30, 1996. Net loans represent approximately 67% of the bank's assets.

NBT's primary mission is to provide customized quality banking services to the business community. Loans to businesses represent 82% of the bank's portfolio. The balance of the portfolio consists of 6% consumer loans and 12% 1-4 family residential loans.

NBT received a rating of "Satisfactory" at the CRA performance evaluation on April 30, 1993.

DESCRIPTION OF ASSESSMENT AREA:

NBT's AA is in the southern portion of King County. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income census tracts. According to 1990 census data, the bank's AA contains 65 census tracts and has a population of 342,743. The median family income for the Metropolitan Statistical Area (MSA) is \$43,103 based on 1990 Census Data. The major employer in the bank's AA is The Boeing Company. The service sector is the area's largest industry, followed by retail and wholesale trade. According to 1996 Dun and Bradstreet business data there are 13,181 businesses operating in the bank's AA. 86% of businesses reporting gross annual revenue data have revenues of less than \$1 million. The majority of these have revenues of less than \$500,000.

Competition is very heavy in the immediate area surrounding the bank. There are highly visible full service branches of US Bank, Seafirst, Wells Fargo and Key Bank within blocks of the bank's facility. Significant competition comes from Washington Mutual, First Savings Bank of Renton, Metropolitan Savings Bank, Towne Bank and Boeing Credit Union which all have branches or offices within NBT's AA. The highly visible and nationally advertised Money Store is a significant competitor for Small Business Administration (SBA) loan customers.

We performed two community contact interviews to learn the credit needs of NBT's business customers. The contacts indicated that the credit needs of small businesses (defined by the contact as having net income of less than \$2 million or less than \$5 million in gross annual revenues) were for growth pattern funding, working capital, equipment, and real estate financing.

The contacts indicated one of the barriers to small business lending was the lack of expertise at the banks to understand the needs of small business. They also indicated that bank personnel were often the first contact many small business owners had when developing or expanding their business and that most bankers didn't know the resources available to small business owners to help them in their financial planning.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

We analyzed NBT's loan-to-deposit ratio over the last eight quarters. During those eight quarters, the bank's loan-to-deposit ratio went from 89.85% on December 31, 1994 to 74.57% as of September 30, 1996, with an average ratio of 77.04%.

We compared NBT's performance under this criterion to banks with total assets less than \$100 million doing business in MSA 7600. These banks have an average loan-to-deposit ratio as of September 30, 1996 of 74.85% and an eight quarter average loan-to-deposit ratio of 72%. Based on this information, NB Tukwila's ratio is reasonable and meets the standards for loan-to-deposit ratios given the bank's size, its capacity to lend, and the market in which it operates.

LENDING IN ASSESSMENT AREA

A majority of NB Tukwila's loans are inside the banks AA. Through October 31, 1996, the bank originated a total of 101 business loans representing \$8.3 million in dollar volume. Seventy or 70% of these loans were made inside the AA. Our conclusions are based on management reports indicating the location of the loans originated in 1996. These reports were reviewed, verified and independently tabulated.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

Overall, the distribution of borrowers reflects reasonable penetration among businesses of different sizes.

We reviewed and verified management generated reports showing the breakdown of loans originated in 1996 by revenue of the borrower's business. The following table shows the distribution of the bank's loans by the size of the borrower's gross annual revenue compared to the distribution of all businesses in the AA by the gross annual revenue.

GROSS ANNUAL REVENUES (\$000'S)	% OF LOANS ORIGINATED	% OF TOTAL BUSINESSES IN AA WITH CORRESPONDING GROSS REVENUES
0 - 500	28%	75%
500 - 999	22%	11%
1000+	50%	14%
Total	100%	100%

The data reflects a reasonable distribution of loans among businesses of different sizes given the banks business focus and product strategy.

Twenty seven percent of the loans reported were to business with revenues less than \$500 thousand although 75% of all businesses in the AA have revenues of less than \$500 thousand. Given the business demographics of the AA, it would seem a disproportionately small percentage of the banks loans were to businesses with revenues of less than \$500 thousand. However, because of the limited services offered by the bank and the existence of branches of the four largest regional banks offering full service banking with specialized products and lending personnel for this segment of the business community, the bank can not competitively provide the same services offered by the large regional and multinational banks in the area. Bank management is providing counseling and business resource referrals to the SBA applicants; a need indicated by the community contact. It was determined that most of the applicants were not at the point where they could qualify for credit. However, the bank felt that much of the information the applicants received as a result of the application process would prepare them to qualify for credit in the future.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of the bank's loans reflects reasonable dispersion throughout its AA.

We used a sample of 31 loans to estimate the geographic distribution of the bank's business loans among census tracts of various income levels. Of the 31 loans sampled, 24 were within the AA. The following table compares the distribution of the loans we reviewed to the income distribution of census tracts within the bank's AA.

DISTRIBUTION OF LOANS (CONTINUED)

INCOME CHARACTERISTIC OF CENSUS TRACT	% OF TOTAL CENSUS TRACTS	# OF TOTAL BUSINESS LOANS	% OF TOTAL LOANS
Low Income	0%	0	0%
Moderate Income	17%	5	21%
Middle Income	78%	18	75%
Upper Income	5%	1	4%
Total	100%	24	100%

As evidenced by the data, the distribution of loans corresponds to the income distribution of census tracts and reflects reasonable dispersion among low-, moderate-, middle-, and upper - income census tracts throughout the bank's AA.

RESPONSE TO COMPLAINTS

NB Tukwila has not received any consumer complaints relating to its CRA performance.

RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS

We did not identify violations of the substantive provisions of antidiscrimination laws and regulations.