

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Washington
Charter Number 2912**

**101 Commercial
Washington, Kansas 66968-1904**

**Office of the Comptroller of the Currency
Kansas City Duty Station
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277**

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 The First National Bank of Washington (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of August 23, 1996. 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: “Satisfactory record of meeting community credit needs.”

FNB’s loans and originations help meet credit needs of farms and businesses of different sizes, and borrowers of different incomes. The bank is particularly active in making loans to small farms, the substantial majority of which are in its assessment area.

The following table shows the performance levels of FNB with respect to the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF WASHINGTON 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	Analysis not meaningful. ¹		
Response to Complaints	No complaints were received since the prior examination.		

1. FNB's assessment area is comprised of middle income block numbering areas only.

DESCRIPTION OF INSTITUTION

Washington First Banco, Inc. owns FNB. On March 31, 1996, the bank had \$50 million in assets, about 21 percent of which were loans. FNB's loan portfolio is 59 percent agricultural, 28 percent residential and consumer instalment, and 12 percent commercial. The bank's main office and drive-up are in Washington, Kansas, population approximately 1,500. Its 24-hour ATM is in a convenience store in Washington.

FNB can help meet various credit needs. It offers a broad range of agricultural, consumer, and commercial loan products described in its CRA public file. The bank's primary lending focus is agriculture and home loans, reflecting management's determination of the most pressing local credit needs. No legal impediments keep FNB from meeting its CRA responsibility.

DESCRIPTION OF ASSESSMENT AREA ¹

FNB's assessment area consists of both block numbering areas (BNAs) of Washington County, Kansas. Both BNAs are designated as middle-income. The assessment area is not in a metropolitan statistical area. Statewide nonmetropolitan median family income is \$34,300. The area does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. Population for the county-wide assessment area is 6,713. Low-, moderate-, middle-, and upper-income families are 24, 22, 25, and 29 percent of assessment area population. Agriculture is the predominant industry in the assessment area. Farm operations in the area vary widely in size. The approximate average gross revenue for farms in adjacent counties is \$115,000 (information for Washington County farms is not available). The City of Washington, the county seat, has average commercial, retail, and service activities. The stable size of Washington County's economy limits the bank's opportunities to grant credit in its assessment area. Besides FNB, one other bank operates in the City of Washington.

1. Demographic information is from 1990 U.S. Bureau of the Census records or from 1996 U.S. Dept. of Housing and Urban Development (HUD) data.

A Washington County economic development department representative told OCC examiners that small businesses and small farms have the greatest need for credit in the area. The representative said banks in the community were meeting these needs. The representative knew of no credit needs that banks in the community were not meeting. Washington County's mostly unsuccessful attempts to attract new, larger businesses have reduced lending opportunities in the community. The banks in Washington have financed new, small businesses started by local residents usually without requiring guarantees by the Small Business Administration (SBA).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio (average of eight quarters ending June 1996) is reasonable in its assessment area. It reinvests an average of 23 percent of its deposits in loans. Its ratio ranged from about 19 percent on March 31, 1994 to 32 percent on June 30, 1996. Two similarly-situated local banks had ratios of 36 percent and 33 percent on March 31, 1996. FNB has made available to farms, homeowners, and commercial businesses an additional \$1.64 million in unused lines of credit. If funded, these loan commitments would raise the bank's loan-to-deposit ratio to about 36 percent.

FNB is a leader in making home loans. For the first six months in 1996, FNB was granted 24 percent of the number of mortgages filed. FNB was granted more mortgages in Washington County than any of its four chief loan competitors.

Lending in Assessment Area

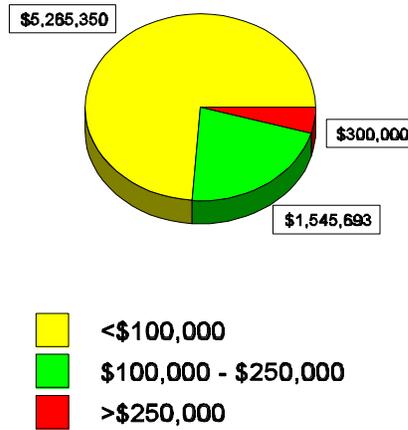
A substantial majority, 84 percent, of the number of the bank's loans are in its assessment area, according to bank management's analysis of its loan portfolio. The analysis shows that 78 percent of the dollar amount of loans is in the area. While many of these loans are recently originated, these figures depict loans on the bank's books, and not necessarily recent loan originations.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Its loan distribution shows FNB makes mostly loans less than \$100,000, in line with the credit needs management considers most pressing. Loans made within the past six months ranged in size from \$250 to \$300,000. By Farmers Home Administration (FHA) and SBA standards, most farms and commercial businesses in Washington County are small, according to the Washington County economic development department. Farms and businesses of this size usually require financing in the dollar range of loans that the bank makes.

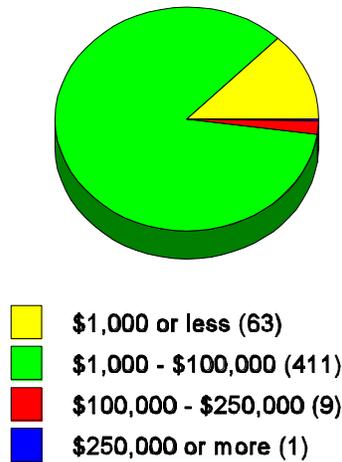
Size of Loans

(Dollar volume of all loans made in the past six months)



Size of Loans

(Number of all loans made within the past six months)



Of all 484 loans FNB originated in the past six months, 13 percent were in amounts of \$1,000 or less. Loans of this size typically are to borrowers of low- or moderate-income. The loans serve credit needs in FNB's assessment area, such as financing appliances, cars, and living expenses.

Based on June 1996 Call Report information, FNB originated all or substantially all of its loans to farms and businesses at amounts of \$100,000 or less. FNB accommodates particularly the credit needs of small farms in its assessment area.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with all provisions of antidiscrimination laws and regulations.