



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**October 21, 2003**

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

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

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

**Comptroller of the Currency  
Kansas City North - Salina Office  
Post Office Box 616  
Salina, Kansas 67402-0616**

**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 First National Bank of Washington (First National) has a good record of lending to farms and businesses of different sizes.

The distribution of agricultural borrowers of different sizes is good. Based on 20 borrowers sampled, the bank's distribution to farms of different sizes approximates demographic information. Fifty percent of the loans were to borrowers with less than \$100,000 in gross annual income, and 90 percent were to borrowers with less than \$250,000. All of the 20 borrowers had revenues of less than \$500,000. Demographic information was obtained from the United States Census Bureau's 1997 Census of Agriculture.

The distribution of commercial borrowers also reflects good penetration of businesses of different sizes. Based on the 20 borrowers sampled, 90 percent of commercial borrowers have gross annual revenue of less than \$1 million. Lending to businesses with gross annual revenue of less than \$1 million slightly exceeds county demographic information showing 74 percent of the businesses in that category. Demographic information was obtained from 2002 Dunn and Bradstreet data.

- The bank originated a majority of its loans within its assessment area. The bank originated 70 percent of agricultural loans sampled by dollar volume and 85 percent of commercial loans within its assessment area.
- First National's lending level reflects an acceptable responsiveness to the assessment area's credit needs. Management has worked hard to increase the bank's loan volume since the last CRA evaluation period. As a result, the average loan to deposit ratio (LTD) has grown 26 percent between evaluation periods, increasing the average LTD ratio from 31 percent to 39 percent.

Examiners compared First National's quarterly average LTD since the previous evaluation period to three other financial institutions with headquarters or branches in Washington County. These institutions have an average 61 percent LTD ratio, ranging from 53 percent to 65 percent. While the comparable institutions have a significantly higher average LTD, each of those institutions has branch offices in other counties that have growing economies (Johnson and Pottawatomie Counties). Lending opportunities and needs are much greater in a growing economy versus a declining economy. The third bank, with both of its offices located in Washington County, has seen similar loan growth to First National's during the evaluation period. Other financial institutions with offices in the assessment area were not considered comparable due to significant difference in asset size and offices located within metropolitan areas.

The following tables indicate the differences in economies of Washington, Johnson, and Pottawatomie Counties. The tables indicate that the other counties' economies are larger and stronger than Washington County.

<b>Taxable Retail Sales: Per Person</b>			
County	1995	2000	Percent Change
Washington	\$3,594	\$4,699	30.7
Johnson	\$15,403	\$17,465	13.4
Pottawatomie	\$14,197	\$15,570	10.9

<b>Indicators of Strength</b>			
<b>Size of Economy</b>			
Statistic 1999	Washington Co.	Johnson Co.	Pottawatomie Co.
Number of Businesses	243	15,507	512
Growth in Businesses	-2.8%	13.3%	26.7%
Avg Wage Per Job	\$15,072	\$34,401	\$22,238

Source: Kansas Direct Program, Kansas State University Cooperative Extension Service.

Management researched all real estate mortgage filings in Washington County between January 1, 2000 and October 15, 2003. There have been 588 mortgages filed with the county register of deeds. First National has filed 156 mortgages, or 27 percent for the total filings. This percentage ties with the one other entity, Farm Credit Services (FCS) for the most mortgage filings during that period. FCS is a non-deposit government sponsored agricultural lender. This analysis includes only loans made in Washington County. The LTD analysis includes loans made outside of Washington County. Management considers their penetration of their assessment area for other loan products to be similar to the mortgage loan penetration.

- An analysis of the geographic distribution of loans is not applicable because there are no low- and moderate-income geographies in First National's assessment area.
- First National has not received any consumer complaints regarding its CRA performance during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

## **DESCRIPTION OF INSTITUTION**

First National is a \$53 million institution located in Washington, Kansas. The bank received a "Satisfactory" rating at the last Community Reinvestment Act (CRA) examination dated May 17, 1999. There are no legal or financial factors that impede the First National's ability to help meet the credit needs of the assessment area. Refer to the bank's CRA Public File for more information.

First National's primary loan products by dollar volume are agricultural and commercial loans. Due to limitations with the bank's data information system, management could not provide

information regarding loan originations and purchases since the last Performance Evaluation period. Nor could the information provided allow sufficient analysis of the originations by number of loans. Therefore, we determined primary loan products based on the dollar volume of loans outstanding.

## **DESCRIPTION OF ASSESSMENT AREA**

First National's assessment area consists of block numbering area (BNA) 9786. The BNA covers the north half of Washington County in Kansas and is designated as a middle-income tract. Refer to the bank's CRA Public File for more information.