



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

January 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grant National Bank
Charter Number 21728**

**P.O. Box 880
Ephrata, WA 98823**

**Comptroller of the currency
Western District
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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 Community Reinvestment Act (CRA) performance of **Grant National Bank** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of January 6, 1997. 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.**”

Grant National Bank (GNB) 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 a reasonable dispersion among individuals of different income levels and businesses of different sizes. GNB has received no written complaints with respect to the CRA since the prior OCC examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	GRANT NATIONAL BANK 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	Not a meaningful analysis		
Response to Complaints	The bank has not received any complaints related to its CRA performance.		

DESCRIPTION OF INSTITUTION

Grant National Bank is a small community bank headquartered in Ephrata, WA. The bank has one branch in Moses Lake, WA. The bank primarily serves most of Grant county, which includes the cities of Ephrata, Moses Lake, Quincy, and Soap Lake. GNB commenced operations in 1989 and is owned by 261 shareholders. The bank is in sound financial condition and has total assets of \$28 million as of November 30, 1996. Net loans represent approximately 61% of the bank's assets.

GNB serves a wide array of local lending needs, which is reflected in the varied composition of the bank's loan portfolio. One to four family residential loans account for 21% of the loan portfolio, followed by agricultural loans (18%), commercial and industrial loans (14%), consumer loans (14%), commercial real estate loans (12%) and construction and development loans (11%). The remaining 10% includes farm land, credit card and miscellaneous loans.

The bank received a Satisfactory rating for meeting it's communities credit needs at the last OCC examination.

DESCRIPTION OF ASSESSMENT AREA

GNB's assessment area (AA) consists of the bulk of Grant county, and is not part of a Metropolitan Statistical Area (MSA). The census tracts furthest north and south in Grant county are not included in the assessment area due to their distance from the bank's offices. This assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income census tracts. Based on 1990 Census Data, the bank's AA contains 12 census tracts and has a population of 45,113. The following table shows the number and percent of census tracts by income level, and the percent of total families residing in those census tracts.

INCOME CHARACTERISTIC OF CENSUS TRACT	# OF TOTAL CENSUS TRACTS	% OF TOTAL CENSUS TRACTS	% OF TOTAL FAMILIES
Low Income	0	0%	0%
Moderate Income	3	25%	22%
Middle Income	9	75%	78%
Upper Income	0	0%	0%
Total	12	100%	100%

As evidenced by the data, there are no lower or upper income census tracts in the assessment area. The majority of the families live in middle income census tracts.

The statewide non-MSA median family income, adjusted by the Department of Housing and Urban Development to reflect 1995 income, is \$33,600. The major employers in the area are local government entities including the Moses Lake School District and Public Utilities District of Grant County, and vegetable processing companies including Lamb Weston, Nestle and Simplot Foods. The median housing value is \$49 thousand.

We contacted several community organizations in the bank's assessment area to learn about credit needs within the community. One contact represented an organization that provides affordable housing to low income residents in the community. This person indicated a need for financial institutions to provide loans and technical assistance relative to banking services and products to the Hispanic community. The other contact represented an organization focused on economic development in Grant county. This individual was not familiar with credit needs within the community, but was able to supply considerable business and consumer demographic data about the community.

Competition is significant, with at least seven banks, one thrift and two mortgage companies serving the same market area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

We analyzed GNB's loan-to-deposit ratio over the last eight quarters from December 31, 1994 to September 30, 1996. During these eight quarters, the loan-to-deposit ratio ranged from a low of 65% on March 31, 1995 to a high of 76% on December 31, 1994, with an average ratio of 71%.

We compared GNB's performance under this criterion to banks with total assets between \$25 million and \$50 million in the state of Washington. The sample totaled six banks. These banks had an average loan-to-deposit ratio over the same period of 80%. Based on this information, GNB's ratio is reasonable given the bank's size, its capacity to lend, and the market in which it operates.

LENDING IN THE ASSESSMENT AREA

The bank does not geographically code loans to allow for a geographic analysis of the entire loan portfolio. Consequently, we were required by law to base our lending analysis on a sample of loans from the bank's loan portfolio. GNB made 231 business and agricultural loans in 1996, and 214 consumer loans, including residential real estate. We sampled 21 consumer loans, representing 10% of total consumer loans and 40 business and agricultural loans, representing 17% of total business loans to approximate the bank's lending in its assessment area.

The results of that analysis can be seen in the table below.

ANALYSIS OF LOANS MADE WITHIN AND OUTSIDE ASSESSMENT AREA

GEOGRAPHIC LOCATION OF LOANS	# OF LOANS	% OF LOANS
IN ASSESSMENT AREA	57	93%
OUTSIDE OF ASSESSMENT AREA	4	7%
TOTAL	61	100%

As evidenced by the data, the bank has made more than 90% of its loans within it’s assessment area, which exceeds the standards for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Business and agricultural loans account for approximately 64% of the bank’s total loans. Small businesses are characterized as those with gross annual revenues less than \$1 million.

The bank originated 231 business and agricultural loans over the period January 1, 1996 through December 31, 1996. We analyzed a sample of these loans to estimate the distribution of the bank’s business loans among businesses of different sizes. Our sample consisted of 40 loans (20 commercial and 20 agricultural loans) representing 17% of total business loan originations. The following table shows the distribution of the business loans we reviewed by revenue size.

DISTRIBUTION OF BUSINESS AND AGRICULTURAL LOANS BY REVENUE

GROSS BUSINESS REVENUES (000'S)	# OF BUSINESSES IN ASSESSMENT AREA	% OF BUSINESSES IN ASSESSMENT AREA	# OF LOANS REVIEWED	% OF LOANS REVIEWED
0 - 499	1,256	82%	33	83%
500 - 999	118	8%	3	7%
1,000 +	154	10%	4	10%
TOTAL	1,528	100%	40	100%

The data reflects a reasonable distribution of business loans among businesses of different sizes. The bank’s business lending closely relates to the business demographics of the community. For

example, 82% of the businesses in the AA have revenues less than \$500 thousand and 83% of the loans we reviewed were made to businesses with revenues less than \$500 thousand.

A more detailed breakdown of the bank's business lending performance to very small businesses reflects a reasonable dispersion of loans to businesses of different sizes:

DISTRIBUTION OF BUSINESS AND AGRICULTURAL LOANS BY REVENUE

GROSS BUSINESS REVENUES (000'S)	# OF LOANS REVIEWED	% OF LOANS REVIEWED
0 - 99	9	23%
100 - 249	18	45%
250 - 499	6	15%
500 - 999	3	7%
1,000 +	4	10%
TOTAL	40	100%

We also analyzed the bank's one to four family residential loans. This segment amounts to 21% of the bank's loan portfolio. Although not statutorily required to, GNB collects Home Mortgage Disclosure Act (HMDA) data, and we used this data to determine the distribution of this segment of the loan portfolio.

During the period January 1, 1996 through December 31, 1996 GNB originated 22 one to four family residential loans for home purchase, improvement, and/or refinance. We analyzed the income distribution of these loans, and the following table shows the distribution of these loans among borrowers of different income levels. (Only 21 loans were reviewed, as one had paid off during the year and data was unavailable to analyze).

INCOME DISTRIBUTION OF 1 TO 4 FAMILY RESIDENTIAL LOANS

APPLICANT INCOME AS A PERCENT OF MSA MEDIAN	PERCENT OF TOTAL FAMILIES	# OF 1-4 FAMILY RESIDENTIAL LOANS	% OF 1 TO 4 FAMILY RESIDENTIAL LOANS
Low Income	24%	5	24%
Moderate Income	20%	3	14%
Middle Income	23%	4	19%
Upper Income	33%	9	43%
TOTAL	100%	21	100%

The data reflects a reasonable distribution of loans to borrowers of different income levels. This table also illustrates that while there are no low income census tracts within the AA, the bank has

helped to meet the credit needs of low income families. For example, 24% of the families in the AA are low income, and 24% of GNB's residential loans were to low income families.

GEOGRAPHIC DISTRIBUTION OF LOANS

A geographic distribution of loans does not provide a meaningful analysis of GNB's lending performance. There are no low income or upper income census tracts in the AA. Of the 12 census tracts, only three are moderate income. More importantly however, 24% of the families living in the AA are low income and an additional 20% are moderate income. This discrepancy between no low income census tracts and a significant level of low income families cannot be analyzed through a geographic analysis of the bank's lending performance. Therefore, we felt the more meaningful analysis was to determine the bank's lending performance to individuals of different incomes and businesses of different sizes.

RESPONSE TO COMPLAINTS

GNB has not received any consumer complaints since our last examination related to its CRA performance.

RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS

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