



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 23, 2002**

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

**The First National Bank Of Dighton  
Charter Number 9773**

**105 E. Long Street  
Dighton, KS 67839**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**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.**

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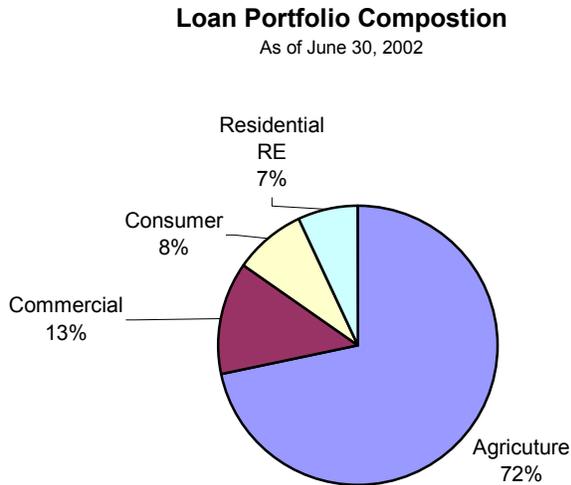
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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- First National Bank of Dighton's average quarterly loan-to-deposit ratio is satisfactory. The bank's average quarterly loan-to-deposit ratio is 57 percent compared to 74 percent for the four other similarly situated Kansas banks.
- The majority of the bank's primary loan products have been granted to borrowers in the assessment area. Examiners' loan sample indicated that 93 percent of the number and 89 percent of the dollar volume of loans were made in the assessment area.
- The bank's lending to businesses of different sizes is good. Management granted 100 percent of both agricultural and commercial loans since the last CRA exam to small farms and businesses.

## DESCRIPTION OF INSTITUTION



The First National Bank of Dighton (FNB), a \$46 million financial institution, is one of two financial institutions in Lane County. The bank's office is in Dighton, Kansas. Dighton National Bankshares, Inc., a one-bank holding company, owns 100 percent of the bank. FNB is a full service bank and offers a variety of loan products with agricultural and commercial loans being the primary products. As of June 30, 2002, agricultural loans accounted for 72 percent of the bank's \$21 million loan portfolio, with commercial loans representing another 13 percent. Consumer loans and residential real estate comprise eight percent and seven percent respectively. Net loans

to total assets were 43 percent.

The bank's financial condition, size, local economic conditions, and other factors, allow it to help meet the credit needs of its assessment area. The bank has not opened or closed any branches since the prior CRA examination. At the previous CRA examination dated September 8, 1998, FNB received a "Satisfactory" rating.

## DESCRIPTION OF ASSESMENT AREA

The bank's assessment area (AA) is all of Lane County. The AA is not in a Metropolitan Statistical Area. The block numbering area (BNA) is 9566. The BNA is a middle-income tract. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA is located in western Kansas. The AA, Lane County, has a population of 2,375. Dighton, the county seat, has a population of 1,361. Of all the households in the AA, the 1990 United States Census indicates that 22 percent are low-income, 14 percent are moderate-income, 22 percent are middle-income, and 42 percent are upper-income. Other demographics reflect 13 percent of total households below the poverty level, 31 percent receive social security, three percent receive public assistance, six percent of the population is over the age of 65, and less than one percent is unemployed. The Kansas 2001 statewide non-metropolitan median family income is \$43,200. The median housing value is \$32 thousand and 65 percent of housing units are owner-occupied.

The local economy is dominated by agriculture, primarily cattle and wheat. Major employers in the AA include two commercial cattle feedyards, the hospital, and the school district.

Competition in the assessment area is moderate. FNB has the larger deposit base of the two banks in the AA with \$37 million or 59% of the \$62 million market.

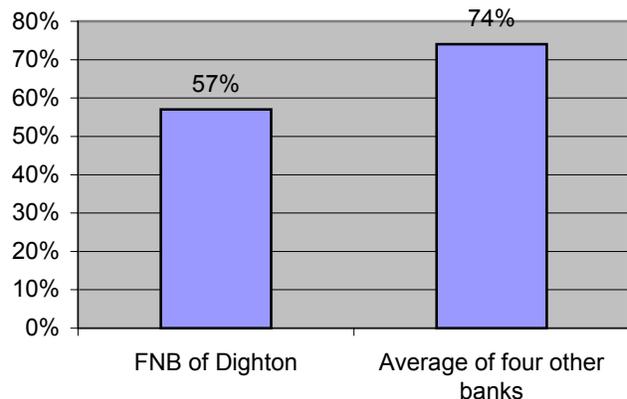
Examiners contacted one community professional. The contact indicated the credit needs of the community were agricultural and business operating funding. The contact revealed no unmet needs or discriminatory practices within the AA.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's level of lending is satisfactory. Four similar banks were chosen to compare average loan-to-deposit ratios with FNB. These banks were all within 40 miles of FNB and provide similar products and services. During the last twelve quarters ending June 30, 2002, the bank's quarterly average loan-to-deposit ratio was 57 percent. This compares to the average loan-to-deposit ratio of 74 percent for the four other similarly situated Kansas banks. The four other banks have loan-to-deposit ratios ranging from 50 percent to 85 percent. Loan demand has been affected by severe drought conditions in western Kansas. This has reduced the borrowing needs of local agricultural borrowers. Some of the similar banks have the ability to purchase loans from affiliated banks, improving their loan-to-deposit ratio. FNB does not have this ability.

**Loan To Deposit Ratio**  
Last Twelve Quarters - Average



### Lending in Assessment Area

FNB's lending in its AA is good as it extended a majority of its primary loan products, agricultural and commercial loans, in the AA. To determine the distribution, we selected a sample of 40 loans granted since the last CRA examination. The sample consisted of 20 agricultural loans and 20 commercial loans. Based on the sample, the bank is making 93 percent of the total number and 89 percent of the dollar volume of sample loans to customers within the AA.

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

The bank's lending distribution to businesses of different sizes is good. Consumer lending and residential real estate were not evaluated for lending to borrowers of different incomes, as these were not primary products of the bank.

For agricultural and commercial loans, the bank's primary lines of business, we reviewed a sample of 20 loans from each line to determine whether the bank has reasonable penetration of small businesses in its AA. The community contact indicated that these products meet the needs of the community. For agricultural loans, gross revenue information was used as a basis to determine business size. The bank does not consistently collect gross revenue information on commercial loans, therefore we used loan size as a proxy.

As shown below, management granted 100 percent of the number of new loans since the last CRA examination to small farms. This correlates well with demographics from the 1997 Census of Agriculture for Lane County, which reports 96 percent of farms are small.

<b>Sample of Agricultural Loans Granted Since Last CRA Examination</b>			
<b>Gross Revenue</b>	<b>Number</b>	<b>Percentage of Number of Loans</b>	<b>Percentage of Dollar Amount of Loans</b>
Less than \$99,999	8	40%	17%
\$100,000 to \$249,999	7	35%	43%
\$250,000 to \$499,999	3	15%	33%
\$500,000 to \$1,000,000	2	10%	7%
Total	20	100%	100%

For commercial loans, management granted 100 percent of the number of new loans since the last CRA examination to small businesses. This level of distribution correlates well with the 2001 Dunn & Bradstreet Data, which reports 92 percent of the businesses in the area are small. A correlation was drawn between loan size and the size of businesses. For FNB, loans less than \$200,000 are considered small, and are assumed to be made to small businesses.

<b>Sample of Commercial Loans Granted Since Last CRA Examination</b>			
<b>Loan Size</b>	<b>Number</b>	<b>Percentage of Number of Loans</b>	<b>Percentage of Dollar Amount of Loans</b>
Less than \$25,000	14	70%	20%
\$25,000 to \$49,999	2	10%	12%
\$50,000 to \$74,999	1	5%	8%
\$75,000 to \$99,999	2	10%	30%
\$100,000 to \$200,000	1	5%	30%
Total	20	100%	100%

### **Geographic Distribution of Loans**

An analysis of the distribution of credit within the AA would not be meaningful, as the assessment area is comprised of one middle-income BNA.

### **Responses to Complaints**

The bank received no CRA-related complaints since the previous CRA examination.

### **Fair Lending Review**

An analysis of 1998, 1999, 2000, and 2001 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.