



PUBLIC DISCLOSURE

April 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Dighton
Charter Number 9773

105 E. Long Street
Dighton, KS 67839

Office of the Comptroller of the Currency

Wichita Field Office
2959 N. Rock Road, Suite 510
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.

This institution is rated SATISFACTORY

- First National Bank of Dighton's (First National) average loan-to-deposit ratio of 48% reflects reasonable responsiveness to the credit needs of the Assessment Area (AA).
- A substantial majority of the bank's primary loan products have been granted in the AA. The sample indicated that 85% of the number and 71% of the dollar volume of loans were granted within the AA.
- First National achieved reasonable penetration in lending to small farms. Ninety percent (90%) of the number of sampled agricultural loans were to farms with revenues less than or equal to \$1 million.

SCOPE OF EXAMINATION

The examination included a full-scope review of First National's assessment area. The bank lacks the ability to produce historical data to quantify the bank's primary lending product; however, interviews with senior management confirmed that the primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated in Lane County during 2010 and 2011. The bank's business strategy has not changed, therefore, the loans granted during these years are representative of all loans granted since the August 11, 2006 CRA examination.

DESCRIPTION OF INSTITUTION

First National Bank of Dighton is a \$61 million bank located in Dighton, Kansas. Dighton National Bancshares, a one-bank holding company, owns 100% of First National. The holding company had total assets of \$11.9 million as of December 31, 2012. First National has one bank location with an adjacent drive-up facility and a cash-dispensing only automated teller machine (ATM).

First National offers a full range of commercial, real estate, and consumer credit products. On December 31, 2012, net loans represented 31% of the bank's total assets. The \$19 million loan portfolio had the following composition: agricultural 60%, commercial 27%, 1-4 family 5%, and consumer loans 8%.

There are no legal, financial, or other factors impeding the bank's ability to help meet the needs of its AA. We assigned a "Satisfactory" rating at the October 11, 2006 Community Reinvestment Act (CRA) examination.

DESCRIPTION OF ASSESSMENT AREA

First National's assessment area is Lane County, Kansas, which contains one middle-income census tract (9566). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Lane County has been designated as a distressed and

underserved middle-income non-metropolitan geography given its population loss and remote rural location.

Lane County is located in western Kansas and, as of the 2000 census, had a population of 2,155. The statewide non-metropolitan median family income for 2011 is \$53,700. The AA has the following distribution for families: 14% low-income, 20% moderate-income, 29% middle income, and 37% upper income. Of the 915 households in the AA, 36% receive social security, 9% are below the poverty level, and 1% receives public assistance. Twenty percent (20%) of the population is over the age of 65, and 35% of the population consists of civilians not in the workforce. The median housing value is \$48,400; 66% of the housing units are owner-occupied.

The economic condition of the AA is stable. The bank's trade area is dominated by agriculture, primarily cattle and grain. Major employers in the area include the school district and the county hospital.

The Bureau of Labor Statistics reflects a December 2012 unemployment rate for Lane County of 3.5%, below the Kansas statewide unemployment rate of 5.5%.

First National faces moderate competition in the AA. Based on the Federal Deposit Insurance Corporation's (FDIC) most recent deposit market share report dated June 30, 2012 one other financial institution maintains an office in the AA. The asset size of this institution is \$81 million. Management considers four other financial institutions in the surrounding counties to be close competitors due to their geographic proximity and similar lines of business. These institutions were considered in the loan-to-deposit comparison. The asset sizes for these institutions range from \$73 million to \$145 million. First National has 46% of the total deposits in the AA.

Examiners contacted one community professional in the AA. The contact indicated that the primary credit needs of the communities located in Lane County are agricultural and various types of consumer loans. The contact stated that the credit needs of the communities are being met by local financial institutions and these institutions are very involved in the communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National's average quarterly LTD ratio of 48% is reasonable. The LTD ratio ranged between 36% and 55% for the period under review. The average quarterly LTD ratio over the same period for the bank's competitors was 65%, with ratios ranging from 33% to 99%.

During this evaluation period, First National's customers have experienced an influx of cash from government payments, crop insurance, and oil and gas lease monies. Borrowers have used these monies to pay off or greatly reduce their loans negating the need for borrowing.

Lending in Assessment Area

First National's lending to agricultural borrowers within the AA is reasonable. The bank extended a substantial majority of its primary loan product to borrowers in the AA. Specifically, the bank made 85% of the number and 71% of the dollar amount of loans in the AA.

Lending to Farms of Different Sizes

As reflected in the table below, First National's lending performance to farms of different sizes is reasonable when compared to AA demographics. The loan sample reflected 90% of the number and 93% of the dollar amount of loans to farms with gross revenues less than or equal to \$1 million. Eleven of the loans in our sample benefited very small farms with gross annual revenues under \$250 thousand.

Borrower Distribution of Loans to Farms in AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	90%	0.00%	10%	100%
% of Bank Loans in AA by \$	93%	0.00%	7%	100%

Source: Loan Sample and 2000 Census and Business Demographic Summary

Geographic Distribution of Loans

An analysis of the geographic distribution of loans originated in the AA during the evaluation period would not be meaningful. The AA does not contain low- or moderate-income tracts.

Responses to Complaints

First National has not received any CRA-related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.