



## **PUBLIC DISCLOSURE**

September 5, 2018

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

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, and should not 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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**Overall CRA Rating: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

- The First National Bank of Dighton's (FNB) loan-to-deposit ratio is reasonable. FNB's average quarterly loan-to-deposit ratio is 45 percent compared to 69 percent for a similarly situated bank in the assessment area (AA).
- A majority of FNB's primary loan products have been granted in the AA. Bank management granted 70 percent of the number and 49 percent of the dollar volume of loans in the AA.
- FNB achieved reasonable penetration in lending to small farms. Eighty percent of the number and 66 percent of the dollar amount of sampled agricultural loans were to farms with revenues less than or equal to \$1 million. We could not draw a reliable conclusion on the bank's penetration to low- and moderate-income borrowers regarding consumer credit as the bank did not obtain income information on 65 percent of the borrowers in our sample.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## **Description of Institution**

First National Bank of Dighton (FNB) is a single-state bank located in Dighton, KS, with total assets of \$61 million. Dighton is the county seat of Lane County and is located 24 miles east of Scott City, KS, and 54 miles northeast of Garden City, KS. Dighton National Bancshares, a one-bank holding company with \$13 million in total assets, owns 100 percent of FNB. FNB has one bank location with an adjacent drive-up facility and a cash-dispensing only automated teller machine (ATM).

FNB faces minimal competition for financial services in the AA from one bank with \$82 million in total assets. As of the June 30, 2017 FDIC Deposit Market Share Report, FNB ranks second in deposit market share with 43 percent of the deposits in the AA.

FNB is primarily an agricultural lender. As of December 31, 2017, net loans represent 45 percent of total assets. The \$26 million loan portfolio had the following composition: agricultural 61 percent; commercial 29 percent; consumer seven percent; and 1-4 family three percent. FNB has \$13 million in tier 1 capital.

The bank is not subject to any pending litigation or other factors impeding the bank's ability to meet the credit needs in its AA. We assigned a "Satisfactory" rating at the April 15, 2013 Community Reinvestment Act (CRA) examination.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for the Lending Test ranges from January 1, 2015, through December 31, 2017. The performance years will be evaluated using data from the 2015 ACS US Census.

The AA was evaluated based on FNB's primary lending product(s). The primary lending products originated during the evaluation period are agricultural loans and consumer loans. We randomly selected a sample of 20 loans from each primary product.

### **Data Integrity**

We did not perform a data integrity review as the bank is not a CRA or Home Mortgage Data Act reporter.

### **Selection of Areas for Full-Scope Review**

FNB has one AA. Therefore, the AA received a full-scope review. Refer to the table in Appendix A for more information.

## **Ratings**

FNB's CRA rating is based on the bank's performance in the Lane County AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

FNB's performance under the lending test is rated "Satisfactory".

#### **Loan-to-Deposit Ratio**

FNB's average quarterly loan-to-deposit (LTD) ratio of 45 percent is reasonable. The bank's LTD ratio ranged between 32 percent and 61 percent during the evaluation period. The LTD ratio is calculated on a bank-wide basis. While neighboring counties have similarly situated institutions that provide some competition, only one other bank is located in the AA and represents FNB's primary competition. The average LTD ratio for the peer bank totaled 69 percent and ranged from 62 percent to 80 percent during the evaluation period. FNB's level of municipal deposits distorts the bank's LTD ratio. During the evaluation period, municipal deposits averaged \$6 million, which depresses the bank's LTD ratio relative to peer comparisons. As of December 31, 2017, municipal deposits represented 13 percent, or \$6 million, of total deposits. With the exclusion of these municipal deposits, the LTD ratio would have been 67 percent compared to the actual LTD ratio of 58 percent.

#### **Lending in Assessment Area**

FNB's lending within its AA is satisfactory as the bank extends a majority of its primary loan products in the AA. The bank made 70 percent of the number of loans within the AA and 49 percent by dollar volume of loans within the AA. The proportion of lending inside versus outside the bank's AA is calculated on a bank-wide basis.

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

The level of lending to farms of different sizes is satisfactory. We could not draw a reliable conclusion on the bank's penetration to low- and moderate-income borrowers regarding consumer credit, as the bank did not obtain income information on 65 percent of the borrowers in our sample. Examiners selected a sample of 20 agricultural loans and 20 consumer loans. These products represent the majority of loan types originated from 2015 through 2017.

FNB achieved reasonable penetration for loans to small farms. The sample indicates 80 percent of the number and 66 percent of the dollar amount of agricultural loans were granted to farms with revenues less than or equal to \$1 million. This is below demographic data which shows 98 percent of farms in the AA have revenues less than or equal to \$1 million.

<b>Borrower Distribution of Loans to Farms in Lane County AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	2%	0%	100%
% of Bank Loans in AA by #	80%	5%	15%	100%
% of Bank Loans in AA by \$	66.05%	31.93%	2.03%	100%

*Source: Agricultural loan data sampled from 2015-2017, D&B as of June 2017*

Due to the lack of income data on 65 percent of the consumer loan sample, a reliable conclusion on the bank's penetration efforts to low- and moderate-income borrowers could not be drawn.

<b>Borrower Distribution of Consumer Loans in Lane County AA</b>									
	Low		Moderate		Middle		Upper		Unavailable
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of Number of Loans
Consumer Loans	20.62%	10%	11.55%	10%	14.66%	5%	53.17%	10%	65%

*Source: Consumer loan data sampled from 2015-2017 and 2015 ACS US Census*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful as the bank's AA does not contain low- or moderate-income tracts.

### **Responses to Complaints**

FNB has not received any CRA related complaints or comments during the evaluation period.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): 01/01/15 to 12/31/17	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The First National Bank of Dighton (FNB) Dighton, KS		Agricultural and Consumer Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Kansas Lane County AA	Full-Scope	Lane Co.: CT 9566

## Appendix B: Community Profiles for Full-Scope Areas

### Lane County AA

Demographic Information for Full-Scope Area: Lane County 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1	0.00	0.00	100.00	0.00	0.00
Population by Geography	1,674	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	614	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	112	0.00	0.00	100.00	0.00	0.00
Farms by Geography	59	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	457	10.07	14.66	29.98	45.30	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	113	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$56,877 = \$60,300 = 9%	Median Housing Value Unemployment Rate				= \$66,200 = 1.37%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS US Census and 2017 FFIEC updated MFI.

FNB has identified one assessment area (AA) that consists solely of Lane County. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. The Lane County AA contains one middle-income census tract, 9566. The US Department of Housing and Urban Development (HUD) has declared Lane County as a distressed and underserved area. According to the 2015 ACS US Census, in 2017 the population of the Lane County AA is 1,674 and the median family income is \$56,877. Of the 805 households in the Lane County AA, roughly 36 percent receive social security, 18 percent are retired, and nine percent are below the poverty level. Twenty-one percent of the population is over age 65, and 30 percent of the population consists of civilians not in the workforce. The median housing value is \$66,200 and 64 percent of the housing units are owner-occupied units. The income distribution for families within the AA is 10 percent low-income, 15 percent moderate-income, 30 percent middle-income, and 45 percent upper-income. The July 31, 2018, unemployment rate for Lane County is 3.8 percent. This rate is below the Kansas unemployment rate of 4.0 percent and the national rate of 3.9 percent for the same time period.

We contacted a local businessperson in the community to discuss the bank's efforts in meeting the community's banking and credit needs, as well as the bank's level of involvement in the community. The contact identified agricultural products/services as a primary need in the community. Additionally, the contact spoke positively of the bank's support of the community and ability to meet the needs.