



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 31, 2006

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
Wichita
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.

INSTITUTION'S CRA RATING:
This institution is rated Satisfactory.

- The First National Bank of Dighton's average quarterly loan-to-deposit ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 50% compared to 63% for the five other similarly situated Kansas banks.
- A substantial majority of the bank's primary loan products have been granted to borrowers in the assessment area. Examiners' loan sample indicated that 93% of the number and 84% of the dollar volume of loans were made in the assessment area.
- The bank's lending to farms and businesses of different sizes is adequate. Examiners' agriculture loan sample indicated the bank's level of lending to small farms correlated with the assessment area's demographics. Eighty-five percent of the number of loans were granted to farms with revenues less than or equal to \$1 million. Lending to businesses of different sizes is adequate. The commercial loan sample indicated 15% of the number of loans were to businesses with revenues less than or equal to \$1 million.

DESCRIPTION OF INSTITUTION

The First National Bank of Dighton (First National), a \$44 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% of the bank. First National 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, 2006, agricultural loans accounted for 59% of the bank's \$19 million loan portfolio, with commercial loans representing another 19%. Residential real estate and consumer loans comprise 12% and 10%, respectively. Net loans to total assets were 45%.

First National's financial condition, size, local economic conditions, and other factors allow it to meet the credit needs of its assessment area. The bank has not opened or closed any branches since the prior Community Reinvestment Act (CRA) examination. We assigned a "Satisfactory" rating at the prior CRA examination dated September 23, 2002.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is all of Lane County, Kansas. The AA contains one middle-income census tract. Lane County is located in western Kansas and is not in a Metropolitan Statistical Area. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 2,155. The Kansas non-MSA median family income for 2006 was \$49,800. The AA has the following income distribution for families; 14% low-income, 21% moderate-income, 29% middle-income, 36% upper-income. Of the 915 households in the AA, 36% receive social security, 9% have income below the poverty level, and 1% receives public assistance. Twenty-eight percent of the population is not in the work force and 21% is over the age of 65.

The median housing value is \$48,400 and 66% of the housing units are owner-occupied. The trade area is dependent on agriculture, mainly livestock feeding and wheat production. Besides farming, other employment in the AA includes two commercial cattle feed yards, the school district, and the county hospital.

The level of competition in First National's AA is moderate as there is only one other bank. Examiners selected the other bank in the AA and four banks in the surrounding counties, which management considers competition, to use in a loan-to-deposit comparison. Of the two banks in the AA, First National has a larger deposit base and has 54% of the total deposits inside the market.

Examiners contacted one community professional. The contact indicated First National is very involved in the community. The contact identified agriculture and business funding as the area's primary credit needs and indicated the area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National's lending level is reasonable. Since the last CRA examination, the bank's average loan-to-deposit ratio was 50%. The average quarterly loan-to-deposit ratio over the same period for the five similarly situated banks is 63%. These banks have loan-to-deposit ratios ranging from 33% to 84%. Loan demand continues to be affected by severe drought conditions in western Kansas.

Lending in Assessment Area

First National's lending in the AA is excellent as the bank extended a substantial majority of its primary loan products in the AA. We found that 93% of the total number and 84% of the dollar amount of loans granted by the bank are in the bank's assessment area. The sample consisted of 20 loans of each primary product originated this year or in the prior two years. The bank converted to a new core processor in August 2005; therefore, all loans paid off prior to April 2005 were not captured and not included in our sample.

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

The bank's lending distribution to farms and businesses of different sizes is adequate. To assess the bank's performance, examiners selected a sample 40 loans originated since the last CRA examination. The bank's primary loan products are agriculture and commercial loans. The sample included 20 loans of each product type.

First National's lending to farms of different sizes is adequate. The agriculture loan sample indicated 85% of the number and 96% of the dollar amount of loans were granted to farms with revenues less than or equal to \$1 million. This is consistent with the geodemographic data showing that 93% of farms in Lane County have revenues less than or equal to \$1 million dollars. (Data of 93% is slightly higher than bank's 85%; however, 15% of the loan sample did not have revenue documentation on file.)

Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	93%	6%	1%	100%
% of Bank Loans in AA by #	85%	0%	15%	100%
% of Bank Loans in AA by \$	96%	0%	4%	100%

Source: Loan sample, 2006 Business Geodemographic Data

The bank's lending to businesses of different sizes is adequate. Geodemographic data shown in the table below indicate 41% of businesses within the AA have revenues less than \$1 million. The data reflected 55% of businesses in the AA either had unknown or unavailable revenue information on file. From the loan sample, 15% of the number of loans were made to businesses with revenues less than or equal to \$1 million. While this level of distribution is lower than the geodemographic data, actual distribution is comparable. Seventy percent of the loan sample did not have revenue documentation on file. Eight of these loans, or 40% of the sample reviewed,

were granted to recently established small businesses. Since these businesses have been in operation for less than one year, no financial information was available.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	41%	4%	55%	100%
% of Bank Loans in AA by #	15%	15%	70%	100%
% of Bank Loans in AA by \$	10%	19%	71%	100%

Source: Loan sample, 2006 Business Geodemographic Data

Geographic Distribution of Loans

First National's AA does not consist of any low- or moderate-income areas. An analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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