



PUBLIC DISCLOSURE

January 9, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Dighton
9773

105 E. Long Street
Dighton, KS 67839

Office of the Comptroller of the Currency

Wichita 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

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- First National Bank of Dighton's (FNB) average loan-to-deposit ratio is reasonable given its asset size, financial condition, and lending opportunities within the assessment area (AA).
- The institution meets the credit needs of the community as a substantial majority of loan originations were made inside the bank's AA.
- Given the opportunities within the AA, lending to borrowers of difference income levels is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.

As of September 30, 2022, FNB's average quarterly loan-to-deposit (LTD) ratio is 58 percent. The bank's LTD ratio ranged from a low of 45.08 percent to a high of 70.55 percent. The quarterly LTD ratio ranged from June 2016 through September 2022. The average LTD ratio for other institutions is 72 percent. The other institution within FNB's AA is First State Bank of Healy. Per the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First State Bank of Healy has a slightly higher market share holding 52 percent compared to the FNB's market share of 48 percent. The Report also indicates FNB's market share of deposits during the evaluation period was 57 percent, 53 percent, and 52 percent, for 2019, 2020, and 2021, respectively.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its assessment area (AA).

The bank originated or purchased 90 percent of its total loans by number and 82 percent by dollar amount inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	18	90%	2	10%	20	\$2,288	82%	\$512	18%	\$2,288
Total	18	90%	2	10%	20	\$2,288	82%	\$512	18%	\$2,288

Description of Institution

First National Bank of Dighton (FNB) is a \$69.6 million (as of September 30, 2022) western Kansas community bank located in Dighton, KS. As of the 2020 census, the city population was 960. 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. Agriculture dominates both the local economy and the bank's lending base. Local farm units are normally large and capital intensive. Crop and animal production are the primary agricultural products. The trade area also has some oil and gas activity. FNB has one bank location with an adjacent drive-up facility and an automated teller machine located at the same location.

FNB designates Lane County as its AA. The AA comprises one middle-income census tract (9566). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Please refer to Appendixes A and B for more information.

FNB faces moderate competition in the AA with only one other bank located within FNB's assessment area. Based on the Federal Deposit Insurance Corporation's most recent Deposit Market Share Report, dated June 30, 2021, when compared with the other bank within the AA, FNB ranks second in the deposit market share with 48 percent of the deposits. The other institution in the AA is First State Bank of Healy, with 52 percent of the deposit market share. The competing bank also only has one office in the AA.

FNB is primarily an agricultural lender. As of September 30, 2022, net loans represent 47 percent of total assets. The \$33 million loan portfolio had the following composition: agricultural 73 percent; commercial 10 percent; consumer six percent; and 1-4 family 10 percent. FNB had tier 1 capital of \$12.4 million as of September 30, 2022.

There are no legal, financial, or other matters impeding FNB's ability to meet the credit needs of the AA. The Office of the Comptroller of the Currency last evaluated FNB's CRA performance on September 5, 2018. FNB received an overall rating of "Satisfactory" under the Small Bank Performance Standard.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Examiners performed an evaluation of FNB's CRA performance using the Small Bank CRA procedures. The Performance Evaluation (PE) is an assessment of CRA performance from January 1, 2019, through December 31, 2021. FNB's primary loan product is small farm loans. The evaluation of this lending product included a review of 20 small farm loans originated by FNB during the evaluation period. Only one analysis for one evaluation period was required to be performed.

Selection of Areas for Full-Scope Review

Lane County is the bank's only AA. We performed a full-scope review of the AA. Refer to Appendix A: Scope of Examination for more information on the full-scope AA.

Ratings

The bank's overall rating is based solely on the full-scope review of the Lane County AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The CRA performance rating was not lowered as a result of these findings. We considered the nature, extent, and strength of the evidence of the practices; the extent to which institution had policies and procedures in place to prevent the practices; and the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information.

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.

State Rating

State of Kansas

CRA rating for the State of Kansas¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- FNB's average LTD ratio is reasonable.
- FNB originated a substantial majority of loans inside the AA.
- Lending to farms with revenues less than \$1 million is reasonable.

Description of Institution's Operations in Kansas

FNB has one AA consisting of Lane County, Kansas, which is a non-MSA AA located in southwest Kansas. The AA meets regulatory requirements, as it consists of one whole geography and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. The AA is comprised of one middle-income census tract (9566).

According to the most recent FDIC Deposit Market Share report as of June 30, 2021, the bank has \$56 million in total deposits, reflecting an overall market share of 48 percent. The Report also shows the bank ranks second out of the two institutions in the AA. All of FNB's deposit market share is located within the AA. The other competitor within the AA is The First State Bank of Healy. Both institutions have one office located within the AA.

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 2021 the population of the Lane County AA is 1,674 and the median family income is \$65,417. Of the 955 households in the Lane County AA, 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 the age of 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.

Examiners utilized one existing community contact for the Lane County AA made at the beginning of the evaluation period. The contact provided valuable input on the credit needs and opportunities in the AA. The contact is a community leader employed by an economic development organization. The organization's purpose is to promote the County by attracting new businesses and people to the community. The contact described the local business economy as lacking as businesses are struggling to keep afloat. This is attributable mainly to the lack of the population in the area. The county has only one incorporated city which is Dighton, KS, while all other small towns in Lane County are unincorporated. Credit needs in the community include agriculture, small business, residential, and consumer.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

The contact stated the local financial institutions do a good job of meeting the credit needs of the community, especially in the agricultural and residential sectors. The contact’s experience with local financial institutions has been positive in the past and is not aware of any discriminatory activity. The local financial institutions are meeting the credit needs of the community and are willing to get involved in various community projects if feasible.

Dighton AA - Lane County

Table A – Demographic Information of the Assessment Area						
Assessment Area: Dighton AA (2019–2021)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	100.0	0.0	0.0
Population by Geography	1,674	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	955	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	614	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	191	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	150	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	117	0.0	0.0	100.0	0.0	0.0
Farms by Geography	71	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	457	10.1	14.7	30.0	45.3	0.0
Household Distribution by Income Level	805	20.6	11.6	14.7	53.2	0.0
Median Family Income Non-MSAs - KS		\$57,229	Median Housing Value			\$66,200
			Median Gross Rent			\$504
			Families Below Poverty Level			5.7%

*Source: 2015 ACS and 2021 D&B Data
 Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.*

Scope of Evaluation in Kansas

The Lane County AA in Kansas will receive a full-scope review. A limited scope review is not applicable as the bank has only one AA.

LENDING TEST

The bank’s performance under the Lending Test in Kansas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank’s performance in the Lane County AA is reasonable.

Distribution of Loans by Income Level of the Geography

We did not complete an analysis of the geographic distribution of loans. The AA does not contain any low- or moderate-income tracts. Therefore, analysis of geographic distribution of loans originated in the assessment area would not be meaningful.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Small Loans to Farms

Refer to Table T in the state of Kansas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Responses to Complaints

FNB did not receive any written complaints related to its CRA performance during the evaluation period.

Appendix A: Scope of Examination

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 MSAs and non-MSAs 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”.

Time Period Reviewed:	01/01/19 to 12/31/21	
Bank Products Reviewed:	Small farm loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Dighton AA	Full-Scope	Lane County

Appendix B: Summary of MMSA and State Ratings

RATINGS The First National Bank of Dighton	
Overall Bank:	Lending Test Rating
First National Bank of Dighton	Satisfactory
MMSA or State:	
Kansas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2019-2021	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Dighton AA	20	\$2,467	100%	24	95.8	80.0	20.8	2.8	20.0	1.4	--	
Total	20	\$2,467	100%	24	95.8	80.0	20.8	2.8	20.0	1.4	--	
<i>Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												