



PUBLIC DISCLOSURE

February 5, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Beloit
Charter Number 3231

101 E. Main Street
Beloit, KS 67420

Office of the Comptroller of the Currency

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.

Table of Contents

OVERALL CRA RATING.....	3
DEFINITIONS AND COMMON ABBREVIATIONS.....	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	11
LENDING TEST.....	11
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

Overall CRA Rating

The Lending Test is rated: Satisfactory

- The First National Bank of Beloit's (FNB) average quarterly loan-to-deposit ratio is reasonable. FNB's average quarterly loan-to-deposit ratio is 63 percent compared to 77 percent for similarly situated banks in the assessment area.
- FNB granted a substantial majority of its primary loan products in the assessment area. Examiner loan sampling found that 90 percent of the number and 97 percent of the dollar volume of loans were granted in the assessment area.
- FNB achieved reasonable penetration in lending to small farms. Ninety percent of the number and 70 percent of the dollar amount of sample agricultural loans were to farms with revenues less than or equal to \$1 million.
- FNB achieved reasonable penetration in lending to small businesses. Eight-five percent of the number and 40 percent of dollar amount sampled commercial loans were granted to businesses with revenues less than or equal to \$1 million.

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

FNB is an \$81 million bank headquartered in Beloit, KS. FNB is a single state institution wholly owned by First National Bankshares of Beloit, Inc., a single-bank holding company. FNB operates one branch, does not have any deposit-taking ATMs, and offers a variety of deposit and loan products and services. As of December 31, 2016, First National Bankshares of Beloit, Inc. had total assets of approximately \$9 million and is located in Beloit, KS.

FNB is primarily an agricultural lender, offering a variety of loan products. Net loans represent 48 percent of total assets. As of December 31, 2017, the \$37 million loan portfolio has the following composition: agricultural 45 percent, commercial 26 percent, 1-4 family 25 percent, and consumer loans 4 percent.

The primary lending products by dollar amount granted since the last Community Reinvestment Act (CRA) examination are agricultural loans and commercial loans. The bank is not subject to any pending litigation or other factors impeding the bank's ability to meet the credit needs in its assessment area (AA).

FNB has designated all of Mitchell County, KS as its AA. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The Beloit AA consists of two middle income tracts, 1766 and 1767, in Mitchell County, KS. The AA does not contain any low- or moderate-income tracts. The U.S. Department of Housing and Urban Development (HUD) declared Mitchell County as an underserved area. The 2010 U.S. Census population of the FNB AA is 6,373. The 2017 HUD median family income is \$57,300. The income distribution for households is 13 percent low; 15 percent moderate; 29 percent middle; and 43 percent upper income. Of the 2,692 households in the FNB AA, 35 percent receive social security and nine percent are below the poverty level. Twenty-two percent of the population is over age 65, and 32 percent consists of civilians not in the workforce. The median housing value is \$67,404 and 62 percent of the housing units are owner-occupied. As of December 31, 2017, the unemployment rate for the AA is 2.2 percent, below the three percent unemployment rate for the state of Kansas.

The AA has a high-concentration in agricultural production and agriculture-related businesses. The primary agricultural products are wheat, corn, milo, and cattle. Mitchell County Hospital and the local school district are major employers in the AA.

FNB faces moderate/strong competition for financial services in the AA from three banks and one credit union. The asset sizes for these institutions range from \$88 million to \$880 million. Three of the financial institutions serve a wider regional market. FNB is ranked second with a 25.14 percent deposit market share. The bank considers them to be close competitors due to their geographic proximity and similar lines of business.

Examiners contacted one community professional in the AA. The contact identified agricultural loans and commercial loans as two of the community's primary credit needs. The contact stated that area financial institutions are meeting these needs as well as possible.

We assigned a "Satisfactory" rating at the previous October 9, 2012 CRA examination.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test ranged from 2014 through 2016. The performance years will be evaluated using data from the 2010 U.S. Census. 2017 demographic information was not available.

The AA was evaluated based on its primary lending products(s). The primary lending products by number and dollar amount granted since the last CRA examination are agricultural and commercial loans. The loan sample included 20 loans of each primary product originated during 2014, 2015, and 2016.

Data Integrity

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

Selection of Areas for Full-Scope Review

FNB has one AA, therefore, the Beloit 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 Beloit 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 [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 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 ratio of 63 percent is reasonable. The bank considers three banks and one credit union in the AA as primary competitors. The average loan-to-deposit ratios for the three peer banks range from 54 percent to 106 percent.

Lending in Assessment Area

FNB's lending within its AA is outstanding as the bank extended a substantial majority of its primary loan products inside the AA. FNB made 90 percent of the number and 97 percent of the dollar amount of loans in its AA. The examiner loan sample consisted of 20 loans of each primary product originated during 2014, 2015, and 2016.

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

The level of lending to farms and businesses of different sizes in the Beloit AA is satisfactory. Examiners selected a sample of 20 agricultural loans and 20 commercial loans. These products represent the majority of loans originated from January 1, 2014 through December 31, 2016.

FNB achieved reasonable penetration for loans to small farms. The sample indicates 90 percent of the number and 70 percent of the dollar amount of agricultural loans were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 98 percent of farms in the AA have revenues less than or equal to \$1 million.

Borrower Distribution of Loans to Farms in Beloit AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	70%	30%	0%	100%

Source: Farm loan data sampled from 2014-2016 and 2016 Business Geodemographic Data.

FNB achieved reasonable penetration for loans to small businesses. The sample indicates 85 percent of the number and 40 percent of the dollar amount of commercial loans were granted to businesses with revenues less than or equal to \$1 million.

Business demographic data shows that 75 percent of commercial businesses in the AA have revenues less than or equal to \$1 million, with 18 percent of businesses having an unknown revenue.

Borrower Distribution of Loans to Businesses in Beloit AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75%	7%	18%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	40%	60%	0%	100%

Source: Farm loan data sampled from 2014-2016 and 2016 Business Geodemographic Data.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. The Beloit AA does not contain any low- or moderate-income census tracts. Therefore, this analysis would not be meaningful.

Responses to Complaints

FNB has not received any CRA-related complaints or comments since the previous CRA examination.

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 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”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2014 to 12/31/2016)	
Financial Institution		Products Reviewed
First National Bank of Beloit Beloit, Kansas		Agricultural and Commercial Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Kansas Beloit AA	Full Scope	Mitchell Co. CT 1766 and 1767

Appendix B: Community Profiles for Full-Scope Areas

Beloit AA

Demographic Information for Full-Scope Area: Beloit AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2	0.00	0.00	100.00	0.00	0.00
Population by Geography	6,373	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	2,044	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	582	0.00	0.00	100.00	0.00	0.00
Farms by Geography	143	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	1,745	13.12	15.07	29.05	42.72	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	492	0.00	0.00	100.00	0.00	0.00
Median Family Income	52,419	Median Housing Value		67,404		
FFIEC Adjusted Median Family Income for 2016	57,300	Unemployment Rate		0.78%		
Households Below Poverty Level	9%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 HUD updated MFI.