



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 09, 2012

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

7101 College Boulevard, Suite 1600
Overland Park, KS 66210

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

Major factors that support this rating are:

- A substantial majority of the bank's lending activity is within its assessment area (AA).
- Lending to borrowers with different income levels is excellent. Lending to farms of different sizes is reasonable.
- The loan-to-deposit (LTD) ratio is reasonable.

SCOPE OF EXAMINATION

We evaluated the bank's CRA performance using small bank CRA examination procedures, which primarily focuses on lending performance. FNB has one AA, Mitchell County, Kansas.

Our evaluation period is from January 1, 2010 through December 31, 2011. Based on the number and dollar volume of loans originated during this period, we determined that primary products are consumer and agriculture loans, respectively. To evaluate performance, we reviewed a sample of 23 agriculture and 23 consumer loans originated during the evaluation period.

DESCRIPTION OF INSTITUTION

FNB is a \$79 million intrastate bank headquartered in Beloit, Kansas. The bank is a wholly owned subsidiary of First National Bankshares of Beloit Inc., a single-bank holding company. FNB operates one branch, does not have deposit-taking ATMs, and offers a variety of deposit and loan products and services.

As of June 30, 2012, net loans represent 51 percent of total assets. The bank's loan portfolio by dollar volume consisted of 32 percent agriculture loans, 22 percent farmland loans, 18 percent residential real estate loans (including multi-family), 6 percent consumer loans, and 6 percent commercial real estate loans. Agriculture lending is the primary business focus.

There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs of its AA. FNB received a Satisfactory rating in its last CRA evaluation dated February 23, 2007.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Mitchell County, Kansas as its AA. The AA consists solely of two middle-income tracts in a non-metropolitan statistical area (MSA). It meets the requirements of

the regulation and does not arbitrarily exclude low- or moderate-income geographies. Competition is moderate with four other financial institutions in the AA, two of which serve a wider regional market. FNB is ranked second with a 27.52 percent deposit market share. Economic conditions declined in the recent recession; however, there is evidence of improvement.

The updated 2011 median family income is \$53,700. The median value of housing is \$56,659 and the total population is 6,932. Approximately 10 percent of the households are below the poverty level. As of September 2012, the unemployment rate for the AA area is three percent, which is significantly below the 5.9 percent unemployment rate for the state of Kansas. Major industries in the AA include agriculture, service, retail, and construction.

We performed one community contact with a local government organization during this examination. Affordable housing was identified as a need in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The lending test is rated satisfactory.

Loan-to-Deposit Ratio

FNB’s loan-to-deposit (LTD) ratio is reasonable and is comparable to similarly situated banks within the AA. The bank’s quarterly average LTD ratio since the previous CRA examination is 66.62 percent. During the same time period, the average quarterly LTD ratio for similarly situated financial institutions in the AA is 81.19 percent and ranges from 40.21 percent to 119.72 percent.

Lending in Assessment Area

A substantial majority of FNB’s lending activity is inside the AA. Based on our loan sample, the bank originated 85 percent of loans by number and dollar volume within the AA.

Table 1 - Lending in the Assessment Area								
	Number of Loans				Dollars of Loans (000s)			
	Inside		Outside		Inside		Outside	
Type	#	%	#	%	\$	%	\$	%
Agriculture	17	85%	3	15%	\$1,964	84%	\$368	16%
Consumer	17	85%	3	15%	\$261	89%	\$31	11%
Totals	34	85%	6	15%	\$2,224	85%	\$400	15%

Source: Loan sample and bank generated reports.

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

The borrower distribution of loans reflects reasonable penetration in the Mitchell County AA. Based on our sample of agriculture and consumer loans since the previous CRA examination, the bank has responded favorably to the credit needs of its assessment area by originating loans to small farms and low- and moderate-income borrowers.

Agriculture Loans

The distribution of loans to agricultural borrowers reflects reasonable penetration among farms of different sizes. The following table illustrates the distribution of agriculture loans based on annual gross revenues:

Table 2 - Borrower Distribution of Loans to Agricultural Borrowers in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Borrowers	98%	1%	1%	100%
% of Bank Loans in AA by #	70%	20%	10%	100%

Consumer Loans

Consumer lending to borrowers of different income levels is excellent. The bank does not always obtain financial information on consumer loans; 13 of the 23 consumer loans sampled contained adequate data to determine the borrower’s income level. FNB’s level of lending to low-income borrowers is excellent considering that 9.8 percent of households in the AA are below the poverty level. FNB’s level of lending to moderate-income borrowers is also excellent and exceeds demographics.

The following table illustrates the bank’s distribution of consumer loans based on the income level of the borrower:

Table 2A - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans
Consumer	21.0%	15%	17.8%	23%	22.2%	15%	39.0%	46%

Source: 2000 U.S. Census, loan sample, and bank generated reports.

Geographic Distribution of Loans

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

Responses to Complaints

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

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 assessment area 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.