



PUBLIC DISCLOSURE

August 6, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Beloit
Charter Number 3231**

**101 E. Main
Beloit, Kansas 67420**

**Office of the Comptroller of the Currency
Kansas City North – Salina Office
Post Office Box 616
Salina, Kansas 67402-0616**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Beloit prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 6, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

The First National Bank of Beloit CRA rating is based on the following factors:

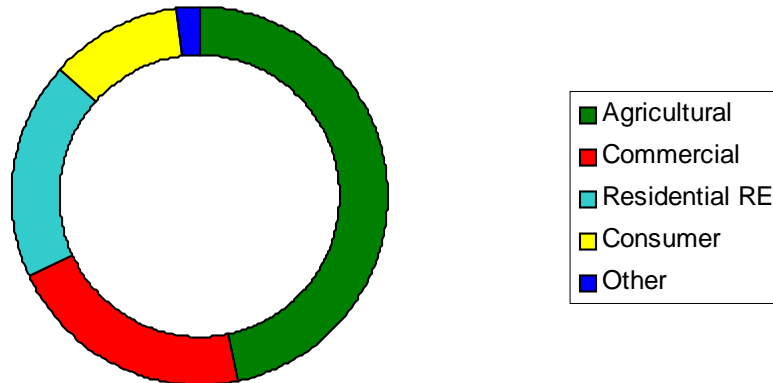
- The revenue distribution of the bank's borrowers is reasonable. The bank lends to farms and businesses of various revenue sizes.
- The bank maintains a reasonable loan-to-deposit ratio. A substantial majority of the bank's loan originations are to borrowers within the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Beloit is a \$46 million institution located in Beloit, Kansas. The bank operates through the main office and an automated teller machines in Beloit. First National Bankshares of Beloit, a one bank holding, owns 100% of the bank's stock.

The First National Bank of Beloit is a full-service bank offering a variety of loans. Net loans represent 59 percent of the bank's total assets. As of June 30, 2001, the bank's \$27.5 million loan portfolio had the following composition: 47 percent agricultural, 22 percent commercial, 18 percent residential real estate, 11 percent consumer, and 2 percent other. Loan volume increased by roughly \$7 million since the last CRA exam.

Loan Mix By Dollar Volume



The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of the assessment area. The bank has not opened or closed any branches since the prior CRA examination. We assigned a "Satisfactory" rating at the October 15, 1996, examination.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area (AA) consists of Mitchell County, located in north central Kansas. The AA does not contain any low- or moderate-income tracts. The AA contains 2 block numbering areas (BNAs), which are 9766 and 9767. Both BNAs have been designated middle-income areas. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Competition includes three banks chartered within the AA, two savings and loans, and one credit union. In addition, two institutions chartered outside the AA have a total of four branches within the AA.

The AA has a population of 7,203 based on 1990 U.S. Census information and is not in a

Metropolitan Statistical Area (MSA). The weighted average median housing value for the AA is \$28,649, and the weighted average median year built is 1939. The 1990 Census median family income is \$28,068. Additional information regarding the bank's AA is included in the following table.

The AA includes 1,929 families. Approximately 15 percent of the families are designated as low-income, 22 percent are moderate, 29 percent are moderate, and 34 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1999 non-metropolitan updated median family income figure of \$38,700. The Department of Housing and Urban Development estimates the median family income figure on an annual basis.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual is an economic development resource for north central Kansas. The primary credit needs of the assessment area are for agricultural and residential real estate purposes. Major agricultural products include grain and cattle production. The local economy is dependent on agricultural production. Major employers include Sunflower Manufacturing, Mitchell County Hospital, The Youth Center, Carrico Implement, Icon, the school district, and Farmway COOP. Our contact identified no unmet credit needs in the assessment area.

1990 DEMOGRAPHIC INFORMATION FOR THE FIRST NATIONAL BANK OF BELOIT'S ASSESSMENT AREA						
Block Numbering Area	Income Designation	% of Household Below Poverty Level	Population of BNA	% Of Owner Occupied Housing	Median Housing Value	Median Family Income
9766 9767	Middle	13%	7,203	63%	28,649	26,498

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The First National Bank of Beloit's lending level is satisfactory. The average loan-to-deposit ratio for the last 18 quarters was 61 percent and continues to show improving trends as the loan-to-deposit reached 70 percent on March 31, 2001. The other three banks headquartered in the AA maintained an average loan to deposit ratio of 84 percent over the same time period. We also sampled banks in adjoining counties to evaluate the bank's performance. We selected banks chartered in Osborne and Lincoln counties because of their similarities to Mitchell County. There were seven banks chartered in those two counties, which maintained an average loan-to-deposit ratio of 70% over the same time period. All banks in our comparison had total assets of less than \$99 million and no branches in metropolitan areas.

Lending In Assessment Area

The bank has extended a substantial majority of all loans granted since the last examination in its AA. Bank personnel generate quarterly reports which show loan type totals (as reported on the call report) broken down by town. We determined approximately 76 percent of loan originations by number and 87 percent by dollar volume were to borrowers within the assessment area. The following table details our analysis of the bank's record of lending in the assessment area:

ASSESSMENT AREA (A.A.) ANALYSIS (Based on 1,111 Outstanding Loan Relationships as of 6/30/01)				
Location of Relationship	Loans By Number	Percent By Number	Loans By Dollar (Thousands)	Percent By Dollar
In Assessment Area	839	76%	24,826	87%
Out of Assessment Area	272	24%	3,855	13%
Totals	1,111	100%	28,681	100%

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

The First National Bank of Beloit has a satisfactory record of lending to small agricultural customers within its AA. Agricultural loans represent 47 percent of the bank’s loan portfolio. We reviewed the revenue distribution of 22 agricultural borrowers with loan originations between October 15, 1996 and August 6, 2001. Our agricultural sample represented 10 percent of the total dollar volume of agricultural loans outstanding.

Based on our sample of agricultural borrowers, we determined that 13.5 percent of the agricultural customers in our sample had gross annual revenues of less than \$50 thousand. We compared the revenue distribution of the bank’s agricultural customers to area demographic information obtained from the 1997 Agricultural Census, which was conducted by the U.S. Bureau of the Census. The bank’s proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 22 Agricultural Borrowers With Loan Originations Between 10/15/96 and 8/6/01				
Revenue Category	Distribution of TFNB of Beloit’s Agricultural Borrowers Per Sample		Distribution of Farms in Mitchell County	
	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$50,000	3	13.5%	225	46%
\$50,001 - \$100,000	3	13.5%	84	17%
\$100,001 - \$250,000	7	32%	114	24%
\$250,001 - \$500,000	7	32%	40	8%
\$500,001 and over	2	9%	24	5%
TOTALS	22	100%	487	100%

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. There are no low- or moderate-income BNA's in the bank's AA. This analysis is performed if one or more of the BNA's in the bank's AA is designated as a low- or moderate-income geography.

Response to Complaints

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

Fair Lending Review

An analysis of 2000 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The last comprehensive fair lending examination was performed December 1999.