



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 18, 1996

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
Salina Duty Station
1516 E. Iron
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 October 18, 1996. 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 bank has a satisfactory record of meeting the credit needs of its assessment area. A significant portion of the bank's loan portfolio is advanced to small agricultural customers. The bank makes a majority of its loans within its assessment area.

The following table indicates the performance level of The First National Bank of Beloit with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Beloit PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

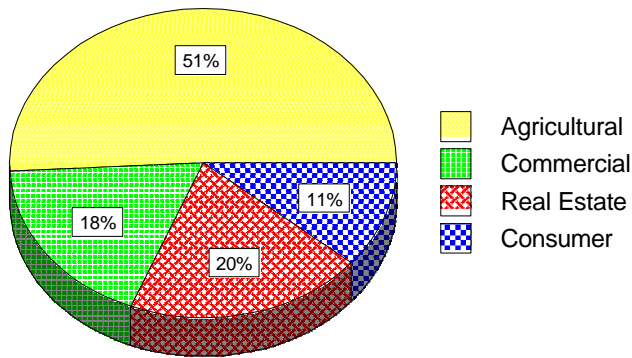
DESCRIPTION OF INSTITUTION

The First National Bank of Beloit is a \$46 million bank located in Beloit, Kansas. The bank maintains one office and two automated teller machines in Beloit. First National Bankshares of Beloit, Inc., a one-bank holding company, owns 100% of the bank's stock.

The First National Bank of Beloit is primarily an agricultural lender, but also offers a

Loan Portfolio Composition

As of June 30, 1996



variety of loan products for real estate, commercial, and consumer credit needs. As of June 30, 1996, the bank's \$20 million loan portfolio had the following composition: 51% agricultural and farmland, 18% commercial, 20% real estate, and 11% consumer.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the community credit needs. The bank has not opened or closed any offices since the previous examination on June 11, 1992. We assigned a Satisfactory

CRA rating at that time.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area comprises all of Mitchell County located in north central Kansas. The county has a population of 7,203 and includes the towns of Beloit, Scottsville, Simpson, Glen Elder, Cawker City, Tipton, and Hunter. Mitchell County is not in a Metropolitan Statistical Area.

The county contains block numbering areas 9766 and 9767. Both are middle-income tracts. The assessment area does not contain any low- or moderate-income tracts. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The Kansas statewide nonmetropolitan median family income is \$34,300 for 1996. The 1990 Census median family income is \$28,068. The assessment area has the following income distribution:

Distribution of Family Income in Assessment Area	
Low-income Families	15%
Moderate-income Families	22%
Middle-income Families	29%
Upper-income Families	34%

The local economy is dependent on agriculture, mainly dryland wheat and cattle. In addition to agriculture, other major employers include a large farm equipment manufacturer, health care providers, and the school district. Unemployment is low at 2.9%.

In addition to the First National Bank of Beloit, Mitchell County contains three other banks headquartered in the county, five branches of banks headquartered in surrounding counties, two savings and loans, and a credit union. Examiners contacted seven community organizations from the local area. These contacts indicated the primary credit needs of the area include agricultural and residential real estate loans. The contacts also indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is low with an average loan-to-deposit ratio of 44% during the last eight quarters. Trends show a slight increase in the ratio. The other three banks headquartered in Mitchell County had a combined average loan-to-deposit ratio of 73%. Loan-to-deposit ratio averages for these banks range from 65% to 78% over the same eight quarters. The First National Bank has a conservative lending philosophy but is responsive to local credit needs. To maintain loan portfolio quality the bank restricts loan growth to the local area.

Lending in the Assessment Area

The bank extends a majority of its loans within its assessment area. Bank-generated reports for outstanding loans on June 30, 1996, indicated 77% of the number, and 88% of the dollar volume of loans, were in the bank's assessment area. The following table depicts the loan portfolio distribution by loan type:

Percentage of Outstanding Loans Within the Assessment Area		
<i>Loan Type</i>	<i>Percentage by Number</i>	<i>Percentage by Dollar</i>
Agricultural	78%	88%
Commercial	79%	95%
Real Estate	94%	94%
Consumer	71%	61%

Examiners sampled 20 loans originated during the third quarter of 1996. The sample of originations verified the accuracy of the bank's report.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Lending levels to small agricultural customers are satisfactory. Examiners randomly sampled 20 agricultural loan customers with loans granted during 1995 or 1996. This represented approximately 30% of the agricultural borrowers. Management considers nineteen of these borrowers as small farmers and one as a large operation. The sample of borrowers had gross annual revenues ranging from \$3,000 to \$553,000 with the following distribution:

Gross Annual Revenue Distribution	
\$0 to \$100,000	8
\$100,001 to \$300,000	8
\$301,000 to \$500,000	3
\$500,001 and above	1

Examiners focused on agricultural borrowers as they comprise the majority of the bank's loan customers. Additionally, the bank does not obtain income information on consumer loans.

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area would not be meaningful as the assessment area contains only middle-income tracts.

Record of Compliance with Antidiscrimination Laws and Regulations

Based on our review, the bank is in substantial compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of disparate treatment.