



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Harvey
Charter Number 15460

920 Lincoln Avenue
Harvey, ND 58341

Office of the Comptroller of the Currency

NORTH DAKOTA & NW MINNESOTA
3211 Fiechtner Drive, SW
Fargo, ND 58103-2394

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.

The National Bank of Harvey rating is based on the following factors:

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.
- The bank's record of lending to farm and business borrowers in the Assessment Area (AA) exceeds the standard for satisfactory performance.
- The bank's record of lending to farm and business borrowers of different sizes meets the standard for satisfactory performance.
- The bank's geographic distribution of farm and business loans meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

Community Reinvestment Act (CRA) activities for this bank were reviewed using full-scope procedures. The time period for this review is March 19, 2003 through March 20, 2009. Primary loan products at this bank as determined by the number of loans originated and dollar amount of the loans include farm loans, including farm real estate, and loans to businesses. Our main conclusion is based on samples of 20 farm loans and 20 business loans granted by the bank from January 2007 through December 2008, as well as discussion with a community official not affiliated with the bank.

DESCRIPTION OF INSTITUTION

The National Bank of Harvey (NBH) is located in the city of Harvey in Wells County in central North Dakota. NBH has no branch offices. NBH assets total \$66 million as of December 31, 2008. First Bank Holding Company, Incorporated of Harvey, ND, a one bank holding company, owns 100% of the bank. The holding company has total assets equal to the equity in the bank. There have been no acquisitions or mergers since the previous CRA evaluation. The bank has one affiliate, Harvey Insurance Agency, Incorporated.

The bank is conservative in its business strategy and lending philosophy. NBH offers traditional banking products and focuses its lending primarily on farm and commercial/industrial borrowers and, to a lesser extent on residential real estate and consumer loans. Approximately one-fourth of total loans outstanding are purchased syndicated loans on projects located throughout the nation. Net loans represent 56% of total bank assets. Tier 1 Leverage Capital for the bank is 9.51% of average assets, or \$6.2 million.

Loan Portfolio Composition	\$ (000)	%
Commercial and Industrial Loans	19,436	56.9
Farm loans (including real estate)	11,444	33.5
Residential Real Estate Loans	1,790	5.2
Consumer Loans	636	1.9
All Other Loans	847	2.5
Total	34,153	100%

There are no legal impediments that would restrict the bank's ability to meet the credit needs of the community. The most recent CRA rating was "Satisfactory" dated March 18, 2003.

DESCRIPTION OF ASSESSMENT AREA(S)

NBH's assessment area (AA) is comprised of all of Wells and Sheridan Counties as well as adjacent portions of Benson, Pierce, and McHenry Counties in central North Dakota. The AA is not located within a MSA. The AA includes seven census tracts (CTs), five of which are middle-income and two moderate-income. The two moderate-income tracts are located the farthest from the bank's office. The AA contains no low-income or upper-income CTs.

The AA includes only whole CTs that are contiguous. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Larger cities included in the AA are Harvey and Fessenden.

Economic conditions in the bank's AA are stable and dependent on farm operations. Employment opportunities outside of the farm industry include: St. Aloisius Medical Center, Canadian Pacific (Soo Line) Railroad, and the Harvey School District. The number of households living below the poverty level is high, at 16.31% of total households.

The bank's competitors include First International Bank (FIB) a branch of FIB located in Watford City, ND and First State Bank of Harvey. Other competition includes Farm Credit Agency and several area credit unions.

During our evaluation, we contacted one additional local community representative to better understand the AA demographics and to determine the primary credit needs of the AA. We also relied on previous community contacts made by this agency and other governmental agencies. The top credit needs of the AA include small business and agriculture financing.

The demographics of the AA are illustrated in the table on the next page. The information is based on 2000 census data unless otherwise noted. This is the most recent information available during our evaluation.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Population	12,453
Number of Families	3,579
Number of Households	5,309
Number of Low-Income Families	759
% of Low-Income Families	21.21%
Number of Moderate-Income Families	713
% of Moderate-Income Families	19.92%
Number of Middle-Income Families	956
% of Middle-Income Families	26.71%
Number of Upper-Income Families	1,151
% of Upper-Income Families	32.16%
% Minority Population	1.28%
<i>Geographies</i>	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	29%
% Middle-Income Census Tracts/BNA	71%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,064
2008 HUD-Adjusted MFI	\$52,800
<i>Economic Indicators</i>	
Unemployment Rate (2008 AA counties)	2.43%
Median Housing Value	\$40,291
% of Households Below Poverty Level	16.31%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's LTD ratio exceeds the standard for satisfactory performance. The LTD ratio is high given the bank's size, financial condition, and lending opportunities within its AA. The quarterly LTD ratio averaged 91.11% in the 24 calendar quarters from December 31, 2002 to December 31, 2008. During this period, the LTD ratio decreased from 94.92% on December 31, 2002 to 89.13% on December 31, 2008.

Comparisons to four similar sized rural community banks located in central North Dakota with

no more than one branch office indicate that the LTD ratio is high. The comparison banks have similar asset sizes, ranging from \$35 to \$61 million. These four banks had average LTD ratios ranging from 36% to 80%.

The high LTD ratio is due in part to a large number of loans purchased from other lending institutions outside of the bank’s trade area. Purchased credits amount to 29% of total loans outstanding as of December 31, 2008.

Institution	Assets (as of 12/31/08)	Average Quarterly LTD Ratio
<i>The National Bank of Harvey</i>	62,099,000	91%
North Country Bank – McClusky, ND	52,812,000	80%
Peoples State Bank – Velva, ND	35,269,000	68%
First State Bank of Harvey, ND	61,424,000	48%
Merchants Bank – Rugby, ND	38,982,000	36%

Lending in Assessment Area

The bank’s record of lending in the AA exceeds the standard for satisfactory performance. A substantial majority of business and farm loans are made to customers within the AA.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Farm Loans (Sample)	19	95%	2,367	99.16%	1	5%	20	.84%
Business Loans (Sample)	17	85%	2,806	78.51%	3	15%	768	21.49%
Total Reviewed	36	90%	5,173	86.78%	4	10%	788	13.22%

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

Lending to business borrowers and to farms of different sizes within the AA meets the standard for satisfactory performance.

Business Loans

Lending to businesses with revenues under \$1 million meets the standard for satisfactory performance. The distribution of numbers of loans to businesses closely reflects the percentage of businesses with revenues under \$1 million. The distribution of loans by dollar volume is impacted by relatively large advances to businesses with revenues over \$1 million.

DISTRIBUTION OF BUSINESS LOANS			
Annual Business Revenues	≤ \$1,000,000	> \$1,000,000	Unreported
% of Businesses in AA	70.59	17.65	11.76
% of Bank Loans by #	65.00	20.00	15.00
% of Bank Loans by \$	44.26	37.82	17.92

Farm Loans

NBH’s record of lending to farms of different sizes is good. Lending to farms with revenues under \$1 million approximates the demographics of the AA. A large majority of farm loans sampled were to farms with revenues under \$1 million. The following table illustrates NBH’s lending to farms. The bank made farm loans in all tracts of the AA.

DISTRIBUTION OF FARM LOANS			
Annual Farm Revenues	≤\$1,000,000	>\$1,000,000	Unreported
% of AA Businesses	98.62	1.15	.23
% of Bank Loans in AA #	90.00	10.00	0.00
% of Bank Loans in AA \$	75.33	24.67	0.00

Geographic Distribution of Loans

NBH’s geographic distribution of loans throughout its AA meets the standard for satisfactory performance.

Business Loans

The geographic distribution of business loans is satisfactory. A majority of business loans made in the AA were to entities with revenues under \$1 million. The percentage by number of small business loans in the moderate-income area is less than the portion of small businesses within that geography. One moderate-income census tract has only one small town with a population of about 100 people with minimal business activity. The other moderate-income census tract has two small communities with minimal business activity and these communities also have a local bank that services the small business needs of the community. Small business lending is concentrated in the middle-income tracts consisting of the City of Harvey and the areas immediately surrounding the city. The following table illustrates the bank’s performance.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Small Businesses	NA		24.06		75.94		NA	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
20	NA	NA	10%	10.5%	90%	89.5%	NA	NA

Farm Loans

The geographic distribution of farm loans is good. The percentage by number of farm loans in the moderate-income area exceeds the portion of farms within that geography. The percentage of farm loans by dollar volume closely approximates the number of farms within the geographies. The following table illustrates the bank’s performance.

FARM LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	NA		38.07		61.93		NA	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
20	NA	NA	45%	37.75%	55%	62.25%	NA	NA

Responses to Complaints

NBH has not received any CRA related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.