



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 25, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Harveyville
Charter Number 11822

197 Main Street
Harveyville, Kansas 66431

Office of the Comptroller of the Currency

Kansas City South Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 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.

The major factors supporting this rating for The First National Bank of Harveyville (FNB) are:

- FNB's average quarterly loan-to-deposit ratio is reasonable considering the bank's size and level of competition in its assessment area.
- Management originated a significant majority of the bank's lending activity within its assessment area.
- Lending to borrowers of different incomes and to farms of different sizes is excellent. A majority of the bank's consumer loans are to low- and moderate-income households.
- We found no legal or financial circumstances that impede the bank's ability to help meet the credit needs in its assessment area.

SCOPE OF EXAMINATION

The scope of this examination included evaluating FNB based on the small bank CRA examination procedures including a lending test. Our objectives were to assess the bank's ability to serve and meet the community's needs within their assessment area (AA). Our loan sample included originations from January 1, 2006 through August 25, 2008. FNB's primary lending products, by number and dollar amount since the last CRA examination, were agriculture and consumer loans. To assess the bank's performance, examiners selected a sample of 20 consumer loans and 20 agriculture loans from the bank's AA.

DESCRIPTION OF INSTITUTION

FNB is a small, rural community bank with total assets of \$11.8 million located in east central Kansas, approximately 30 miles southwest of Topeka. The bank is wholly owned by a one-bank holding company (Mohler Bancshares, Inc.). The bank does not have any branches or ATMs. Net loans, at 59 percent of total assets, is comprised of 58 percent real estate, 13 percent agriculture, 21 percent commercial, and 7 percent consumer loans. FNB is a full-service bank offering a variety of loans with agriculture and consumer loans as its primary product lines. FNB received a "Satisfactory" rating at the last CRA examination dated October 22, 2003.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's AA consists of the contiguous counties of Wabaunsee, Osage, and Lyon Counties in Kansas. Wabaunsee and Osage Counties are within the Topeka MSA AA, while Lyon County is outside the MSA AA. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. The AAs include all middle-income census tracts. Within the MSA AA, 2000 U.S. Census data indicates 17 percent of families are low-income, 20 percent moderate-income, 28 percent middle-income, and 35 percent upper-income. The 2000 U.S. Census data shows non-MSA AA is comprised of 14 percent of families are low-income, 19 percent moderate-income, 27 percent middle-income, and 40 percent upper-income. Current income designations are based on the 2008 median family income figure of \$59,200 for the MSA AA and \$50,100 for the non-MSA AA.

We conducted one community contact during this examination. The contact indicated that the area's economy is struggling due to the increased utility costs and the high gas prices. Most people commute 30 or 40 miles to work daily. He said the amount of low- and moderate-income families is high, reflecting a large number of retired individuals with a fixed income. Although they have felt the impacts of the declining economy, Harveyville's population has remained stable over the past few years. While the opportunities for bank involvement in the community are limited, he feels the area banks are meeting the credit needs of and providing services for the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average quarterly loan-to-deposit ratio shows good responsiveness towards meeting the credit needs of the community. Since the last CRA examination, the average quarterly loan-to-deposit ratio is 69.55 percent, as compared to the 70.82 percent of three similarly situated banks within FNB's lending area. The average loan-to-deposit ratios ranged from 67.02 percent to 77.54 percent.

Lending in Assessment Area

The bank's record for lending to borrowers within its AA is satisfactory. For loans in the evaluation period, management originated 70 percent by number and 84 percent by dollar within its AA. See Table 1 for details.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	18	90%	2	10%	20	\$648,634	93%	\$46,770	7%	\$695,404
Consumer	10	50%	10	50%	20	\$30,854	27%	\$81,612	73%	\$112,466
Totals	28	70%	12	30%	40	\$679,488	84%	\$128,382	16%	\$807,870

Source: Loan sample.

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

FNB's lending to borrowers of different income levels and to farms of different sizes is excellent. To assess the bank's performance, examiners selected a sample 20 consumer and agriculture loans within the MSA AA and 100 percent of the consumer and agriculture loans within the Non-MSA AA. We found agriculture lending to be excellent as all loans in our sample for both AAs were to farms with revenues below \$1 million. Demographics indicate 1 percent of the farms in the AA have gross annual revenues greater than \$1 million.

FNB's level of consumer lending to low- and moderate-income consumers is excellent. We found a majority of the lending to consumers within the bank's MSA AA are to low- and moderate-income households as illustrated in Table 2A. Only 10 percent of the consumer loans are made to middle- and upper-income households. This is more than reasonable given the distribution of households within the AA.

Table 2A - Borrower Distribution of Consumer Loans in FNB's MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	18.40%	65%	14.28%	25%	20.73%	5%	46.60%	5%

Source: Loan sample and 2000 U.S. Census Data.

Lending within the bank's non-MSA AA is also excellent, as illustrated by the bank's lending practices in the past three years. Table 2B shows the bank's lending to households within the bank's Non-MSA AA. All of the bank's consumer loans in this AA are within low- and moderate-income households.

Table 2B - Borrower Distribution of Consumer Loans in FNB's Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	15.33%	75%	16.27%	25%	22.73%	0%	45.67%	0%

Source: Loan sample and 2000 U.S. Census Data.

Geographic Distribution of Loans

The geographic distribution of loans analysis is not meaningful as the bank's AA is entirely designated as middle-income census tracts.

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

Compliance with fair lending laws and regulations is satisfactory, as we found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. We also did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations from our Fair Lending examination of the bank in January 2008.