



PUBLIC DISCLOSURE

November 5, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Harveyville
Charter Number 11822
197 Main Street
Harveyville, KS 66431

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, and should not 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.

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Overall CRA Rating

The Lending Test is rated: **Satisfactory**.

The major factors supporting the First National Bank of Harveyville's ("FNB" or "bank") rating include:

- The average loan-to-deposit (LTD) ratio was more than reasonable.
- A majority of lending activity, by number, was inside the assessment area (AA).
- Borrower distribution of consumer loans was reasonable.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement, and refinances, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing, and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state MA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state MA, the institution will receive a rating for the multi-state MA.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank of Harveyville (FNB) is a \$14.2 million, rural community bank headquartered in Harveyville, Kansas. FNB operates one full-service branch with no deposit-taking ATMs. FNB is a wholly-owned subsidiary of Mohler Bancshares, Inc., a one-bank holding company. The bank did not open or close any branches during the evaluation period.

FNB's AA comprises a portion of the Topeka MSA that includes one CT in Wabaunsee County, Kansas and one CT in Osage County, Kansas. FNB's AA also includes one CT in Lyon County, which is not part of the MSA. The CTs are all located in middle-income areas. There are no low- or moderate-income CTs in the AA.

The institution offers basic deposit and loan products and services. FNB's primary business focus is consumer, commercial, and agricultural lending. As of September 30, 2018, net loans represented 59 percent of total assets. The loan portfolio, by dollar volume, comprises residential real estate at 42.8 percent, commercial at 17.1 percent, agricultural at 12.8 percent, and consumer at 8.6 percent. Tier 1 capital is \$1.4 million and total deposits are \$12.1 million.

FNB has multiple strong competitors in the AA. According to the FDIC Deposit Market Share Report, as of June 30, 2017, FNB ranks 14th out of 18 financial institutions in the AA. Currently, FNB holds 1.36 percent of the AA's deposit market share. The bank's major competitors are Flint Hills Bank, The Lyndon State Bank, The Stockgrowers State Bank, and Kansas State Bank. Other major competitors include larger community banks from larger surrounding towns. The top five institutions in the AA hold 65.4 percent of the deposit market share. These institutions have total assets ranging from \$71.6 million to \$9.1 billion.

There were no legal, financial, or other factors impeding FNB's ability to meet credit needs in its communities. FNB received a "Satisfactory" rating at the previous CRA examination dated August 4, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FNB's CRA performance under the small bank procedures. The evaluation period was January 1, 2015 through December 31, 2017. Consumer loans were the primary loan product, based on the number of loans originated or purchased during the evaluation period. Forty-four percent of all loans made by FNB during the evaluation period were consumer loans. While commercial loans were a primary product by dollar volume, representing fifty-two percent of all loans made by FNB during the evaluation period, we did not place significant weight on the product due to insufficient sample size.

To assess FNB's performance, we randomly selected a sample of consumer loans and commercial loans originated from 2015 through 2017. Within our review, we gave greater weight to FNB's performance on consumer loans.

Data Integrity

This evaluation is based on accurate data. FNB is not required to collect and maintain data on consumer and small business loans. Therefore, we used random sampling to obtain data on these loans, including income and geographic information.

Selection of Areas for Full-Scope Review

We completed a review of the combined census tracts of the MSA and Non-MSA AAs. We focused our evaluation on FNB's performance on MSA AA due to very limited lending volume in the bank's Non-MSA AA. Refer to Appendix A for more information.

Ratings

FNB's overall rating is based primarily on those areas that received full-scope reviews.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this bank [or any affiliate whose loans have been considered as part of the bank's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this bank engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's performance under the lending test is rated Satisfactory. The LTD ratio is more than reasonable and lending volumes are reasonable given the bank's size and financial condition. A majority of the loans are originated inside AAs. The overall borrower distribution of loans was reasonable.

Loan-to-Deposit Ratio

FNB's LTD ratio is more than reasonable. Since the last CRA evaluation, FNB's quarterly LTD ratio averaged 68 percent from June 30, 2014 to March 31, 2018. FNB's LTD ratio is comparable with other similarly situated financial institutions. The quarterly average LTD ratio for similarly situated financial institutions for the same period is 64 percent. FNB ranks second among five similarly situated financial institutions serving the AA. The other four financial institutions had LTD ratios ranging from 58 percent to 70 percent.

Lending in Assessment Area

Table D - Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Consumer	22	88.0	3	12.0	25	212	72.6	80	27.4	292
Small Business	8	34.8	15	65.2	23	1,963	46.1	2,296	53.9	4,259
Total	30	62.5	18	37.5	48	2,175	47.8	2,376	52.2	4,551
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>										

FNB originated a majority of loans, by number, inside the AAs. Based on the number of consumer and commercial loan originations sampled during the evaluation period, 62.5 percent were inside the AAs. By dollar volume, 47.8 percent of loans were inside the AAs.

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

The overall distribution of loans reflects a reasonable penetration among households of different income levels and businesses of different sizes.

We gave greater weight to FNB's performance on consumer lending and did not place significant weight on the commercial lending due to insufficient sample size during the evaluation period.

Consumer Lending

Refer to Table V in appendix C for the facts and data used to evaluate the borrower distribution of the bank's loan originations and purchases.

The distribution of consumer loans to borrowers with low and moderate income is reasonable. Consumer loans in the AA reflect excellent penetration to low-income borrowers, but poor penetration to moderate-income borrowers. As shown in Table V, distribution of consumer loan products to low-income households significantly exceeds demographics at 31.8 percent while loans to moderate-income is 13.6 percent compared to demographics of 16.0 percent.

Commercial Lending

Refer to Table R for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of loans to small businesses.

The percentage of loans to small businesses with gross annual revenue of \$1 million or less was below the percentage of AA businesses with revenue of \$1 million or less, but exceeded the aggregate industry distribution of loans to these businesses. However, we did not place significant weight on the commercial lending due to insufficient sample size during the evaluation period.

Geographic Distribution of Loans

The geographic distribution of loans analysis is not meaningful as all census tracts in FNB's AA were designated as middle-income tracts.

Responses to Complaints

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 1/01/15 to 12/31/17	
Financial Institution		Products Reviewed
First National Bank of Harveyville Harveyville, KS		Consumer and Commercial loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
MA Kansas Census Tract – 4832 and 102 Non-MA Kansas Census Tract - 6	Full-Scope	Refer to Appendix B for additional information.

Appendix B: Community Profiles for Full-Scope Areas

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2017 Lyon Osage Wabaunsee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	7,560	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,725	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,502	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	535	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	688	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	349	0.0	0.0	100.0	0.0	0.0
Farms by Geography	106	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,195	17.2	19.0	25.6	38.2	0.0
Household Distribution by Income Level	3,037	21.2	16.1	20.7	41.9	0.0
Median Family Income MSA - 45820 Topeka, KS MSA		\$64,984	Median Housing Value			\$96,450
Median Family Income Non-MSAs - KS		\$56,877	Median Gross Rent			\$629
			Families Below Poverty Level			5.3%
<i>Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

FNB operates one main office in Harveyville, Kansas. FNB's AA comprises a portion of the Topeka metropolitan statistical area (MSA) that includes one census tract in Wabaunsee County and one census tract in Osage County, Kansas. FNB's AA also includes one census tract in Lyon County, which is not part of the MSA. The main office is located in Wabaunsee County and the other counties are adjacent to Wabaunsee County. The census tracts are all located in middle-income areas. There are no low-or moderate-income census tracts in the AA. According to the 2010 and 2015 U.S. Census, the percent of households below the poverty level are 10.0 percent and 8.9 percent, respectively.

Competition for financial services is strong in the AA. According to the FDIC market share data, as of June 30, 2017, FNB's deposits in the AA totaled \$12.4 million with a market share of 1.36 percent, which ranks 14th out of 18 depository institutions. Major competitors include much larger community banks operating in the AA with numerous bank locations throughout Kansas.

Employment and Economic Factors

Osage is a rural county in East-Central Kansas with a population of 16,001, based on census data. Osage County's primary drivers for the economy are manufacturing, healthcare, education, and retail. Top employers are in the education, sales, and construction industries. According to the Bureau of Labor Statistics, the 2017 annual unemployment rate was 4.0 percent.

Wabaunsee is a rural county in East-Central Kansas with a population of 6,960, based on census data. Wabaunsee County's primary economic drivers are manufacturing, healthcare, education, construction, and retail. Top employers are in the same industries. According to the Bureau of Labor Statistics, the 2017 annual unemployment rate was 3.2 percent.

Lyon is a rural county in East-Central Kansas with a population of 33,401, based on census data. Lyon County's primary economic drivers are healthcare, retail, and construction. Top employers include Tyson Fresh Meats, Inc., Emporia State University, Hostess Brands, LLC, and Newman Regional Health. According to the Bureau of Labor Statistics, the 2017 annual unemployment rate was 3.8 percent.

Housing

Based on 2015 Census data, 67.2 percent of total housing units in the AA are owner-occupied units. Approximately 33 percent of housing units are either rental or vacant.

Community Contacts

We reviewed two community contacts within the AA. The contacts were business professionals and a community action agency that operates in East Central Kansas. The organizations are dedicated to eliminating the causes of poverty and focusing on available resources that enable families and individuals to achieve self-sufficiency. They also focus on business expansion/recruitment, housing, childcare, and infrastructure. Both contacts stated that all the local financial institutions are actively working to meet the credit needs of the community. The primary credit need in the AA is funding for small businesses.

Appendix C: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA. Deposit data is compiled by the FDIC and is available as of June 30th of each year. Tables without data are not included in this PE. Tables are identified by both letters and numbers, which results from how they are generated in supervisory analytical systems.

The following is a listing and brief description of the tables included in each set:

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues – Compares the percentage distribution of the number of small loans (less than or equal to \$1 million), to businesses with revenues of \$1 million or less, originated and purchased by the bank to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. The table also presents aggregate peer data for the years the data is available.

Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower – Compares the percentage distribution of the number of loans to low-, moderate-, middle-, and upper-income borrowers originated and purchased by the bank to the percentage distribution of households by income level in each MA/assessment area.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2015-17**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
2017 Lyon Osage Wabaunsee	8	\$2,296,373	100	38	82.2	75.00	55.3	3.2	12.50	14.6	12.50

Source: 2017 D&B Data; 01/01/2015 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower **2015-17**

Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
2017 Lyon Osage Wabaunsee	22	\$211,660	100	22.4	31.8	16.0	13.6	20.5	31.8	41.2	22.7	0.0	0.0

Source: 2015 ACS Census; 01/01/2015 - 12/31/2017 Bank Data.
 Due to rounding, totals may not equal 100.0