



PUBLIC DISCLOSURE

August 4, 2014

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
Kansas City Field Office
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, 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

- A majority of The First National Bank of Harveyville (FNB)'s loans are inside the bank's assessment area (AA).
- FNB's quarterly average loan-to-deposit (LTD) ratio is more than reasonable.
- Borrower distribution of consumer loans is reasonable.

SCOPE OF EXAMINATION

We used small bank examination procedures to evaluate FNB's Community Reinvestment Act (CRA) performance.

We focused primarily on the lending test. Our objective was to assess FNB's ability to serve and meet the community's needs within its AA. To evaluate bank performance under the lending test, we used lending data from January 1, 2012 through December 31, 2013. Consumer loans are the primary product, based on the number of loans originated or purchased during the evaluation period. Forty-three percent of all loans made by FNB during the evaluation period were consumer loans. Even though commercial loans were the primary product by dollar volume, we did not analyze performance since the AA did not have a minimum of 20 loans, and therefore an analysis of these loans would not be meaningful.

DESCRIPTION OF INSTITUTION

FNB is a \$13.32 million intra-state community bank with its main office in Harveyville, Kansas. FNB is a wholly-owned subsidiary of Mohler Bancshares, Inc. a one-bank holding company. FNB is a full-service banking institution offering a range of products for individuals. FNB's primary business focus is residential, commercial, and consumer lending. FNB's only office is located in Harveyville, which has a population of 237. The bank did not open or close any branches during the evaluation period.

As of March 31, 2014, total loans represented 62 percent of total assets. The loan portfolio by dollar volume is comprised of 33 percent commercial, 30 percent residential real estate, 23 percent agricultural, and 14 percent consumer loans. Net loans represent 70 percent of total deposits and 62 percent of total assets. Tier one capital is \$1.39 million.

FNB has no known legal or financial constraints impeding its ability to meet the credit needs of the AA. The bank received a "Satisfactory" rating on its last CRA examination dated August 25, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA is comprised of a portion of the Topeka metropolitan statistical area that includes one census tract in Wabaunsee County, Kansas and one census tract in Osage County, Kansas. The census tracts are both located in middle-income areas. There are no low- or moderate-income census tracts in the AA. FNB has one branch in the AA. The delineation of the AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The updated 2013 median family income is \$62,100 (slightly less than the 2012 median income of \$64,200), and the median housing cost is \$84 thousand. Over 66 percent of housing units in the AA are owner-occupied. The number of households below the poverty level is 10.36 percent, and the number of families below the poverty level is 8.2 percent.

FNB faces strong competition from other financial institutions in the AA. There are 12 institutions with 19 offices holding deposits ranging from \$3 million to over \$80 million. Additional competition comes from credit unions, financial advisors, and Internet-banking organizations that are not included in the FDIC Market Share report. Currently, FNB holds 2.85 percent of the AA's deposit market share. The bank's major competitors are Flint Hills Bank, Landmark National Bank, The Lyndon State Bank, The Stockgrowers State Bank, The Alta Vista State Bank, and Tightwad Bank.

Government, professional and business services, education, and agriculture make up the majority of the area's economic base. Major employers are the local school district, convenience stores, banks, and the seed/co-op company. The unemployment rate in the AA is 5.3 percent for June 2014. The state's unemployment rate is 4.8 percent, and the national unemployment rate is 6.1 percent.

We performed one community contact in this AA with community services. The purpose of the community contact was to obtain a profile of the community, identify community development needs and opportunities, and to assess perceptions of the performance of local financial institutions. The contact identified the following needs: financial literacy and education, housing for elderly/disabled, and building in empty lots. FNB's perception in the community is positive, and the bank is engaged in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's quarterly average LTD ratio is more than reasonable at 74.22 percent. We calculated the bank's quarterly average LTD ratio from September 30, 2008 to March 31, 2014. FNB's lowest LTD was 57.09 percent, and highest was 85.08 percent. The quarterly average LTD ratio of similarly situated financial institutions is slightly lower than FNB's at 65.98 percent, with a low at 49.42 percent and high of 80.85 percent.

Lending in Assessment Area

A majority of FNB’s loans are inside FNB’s designated AA. Approximately 59 percent by number and 75 percent by dollar are inside the AA.

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

FNB’s distribution of consumer loans to low- and moderate-income borrowers shows reasonable penetration in the AA.

The percentage of loans made by FNB to low-income borrowers is significantly below the percentage of low-income households in the AA. FNB loans to low-income borrowers, at 13 percent, are significantly below demographics of 25 percent.

FNB’s performance in lending to moderate-income borrowers significantly exceeds the percentage of moderate-income households in the AA. FNB loans of 31 percent to moderate-income borrowers are significantly above demographics of 17 percent.

Table 2 - Borrower Distribution of Consumer Loans in FNB AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	24.78	12.50	16.59	31.25	22.82	12.50	35.81	43.75

Source: HMDA data for 2012-2013 and HUD-updated 2010 U.S. Census data

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful since all census tracts in FNB’s AA are 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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.