



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Harveyville
Charter Number 11822**

**197 Main Street
Harveyville, Kansas 66431**

**Comptroller of the Currency
Dan L. Gipple, Assistant Deputy Comptroller - Kansas City South
6700 Antioch Road, Suite 450
Merriam, Kansas 66204**

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 COMMUNITY REINVESTMENT ACT (CRA) RATING

This institution is rated Satisfactory.

The First National Bank of Harveyville (FNBH) has a good record of lending to borrowers of different income levels.

Examiners reviewed a sample of 20 loans for each of the bank's primary product types originated in the assessment area since the previous CRA examination through December 31, 2002. Consumer installment loans and 1-4 family owner occupied residential real estate loans are the bank's two primary loan types, representing approximately 74% of loans funded since the last CRA examination. The bank's performance is compared against demographics from 1990 U.S. Census data.

The distribution of consumer installment loans reflects an excellent penetration of low- and moderate-income borrowers, considering that 10% of households in the assessment area are below the poverty level. The sample included only 12 loans, as the remaining loan files lacked income information. Lenders originated 25% of consumer loans by number and 17% by dollar to low-income individuals. Consumer loans originated to moderate-income borrowers represented 42% by number and 52% by dollar. Demographic data indicates 17% and 15% of households in the assessment area are designated low- and moderate-income, respectively.

Lending performance for 1-4 family owner occupied residential real estate to low- and moderate-income individuals is reasonable, considering that 6.45% of families in the assessment area are below the poverty level. Lenders originated 20% by number and 17% by dollar to low-income borrowers, and 10% by number and 12% by dollar to moderate-income individuals. Demographic data indicates 13% and 17% of families in the assessment area are designated low- and moderate-income, respectively.

FNBH originated a majority of its loans in the assessment area.

Based on our sample of 1-4 family residential real estate and consumer loans, the bank originated 78.8% by dollar and 82.5% by number from within the assessment area.

FNBH's quarterly average loan-to-deposit ratio since the last examination is reasonable.

The bank's quarterly average loan to deposit ratio since the last CRA examination is 58%. Five banks within the assessment area had an average loan to deposit ratio of 66% over the same period. Although the ratio is lower than the average, the small size of the community and bank, inhibit the bank's ability to lend. In addition, the comparative banks are much larger in size and have at least one branch in addition to their main location, which allows for greater lending capacity and exposure.

An analysis of the geographic distribution of loans is not meaningful as the bank's assessment

area is entirely designated as middle-income census tracts.

FNBH has not received any consumer complaints regarding its performance in helping to meet credit needs in the assessment area during the evaluation period.

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

FNBH is a community bank with total assets of \$9.6 million as of December 31, 2002. Net loans represent 56% of assets. The bank is wholly owned by a one-bank holding company, Mohler Enterprises. The main office of the bank and holding company is located in Harveyville, Kansas. The bank does not have any branches or ATMs. Consumer installment and 1-4 family owner occupied residential real estate loans are the bank's primary product lines. There are no legal or financial constraints that impede the bank's CRA efforts. FNBH received a "Satisfactory" CRA rating at the last examination dated June 28, 1999.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of the contiguous counties of Wabaunsee, Osage, and Lyon Counties in Kansas. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The assessment area contains three block numbering areas, all of which are middle-income tracts. While all tracts are middle income, the assessment area includes several low- and moderate-income families. 1990 U.S. Census data indicates that 13% of families in the assessment area are low-income, 17% moderate-income, 28% middle-income, and 42% high-income. Current income designations are based on the 2003 non-metropolitan median family income figure of \$44,900.

We conducted a community contact during this examination. The contact indicated he was unaware of any institutions in the area that were not helping to meet the primary credit needs and services of the community.

Please refer to the bank's CRA Public File for more information.