



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Haviland Bancshares, Inc., UST #629

Person to be contacted regarding this report:	Stan Robertson, V-P
UST Sequence Number:	629
CPP Funds Received:	425,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Mar 13, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1063945
Holding Company Docket Number: (For Thrift Holding Companies)	n/a
FDIC Certificate Number: (For Depository Institutions)	17403
City:	Haviland
State:	Kansas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	100% of the CPP Capital was paid down from the Holding Co., to Haviland State Bank, FDIC Cert. #17403, the operating entity. HSB Total Net Loans on 3-31-09 were \$17.2 Million compared to 3-31-10 of \$18.96 Million.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Primarily Loans to finance agricultural production and other loans to farmers, together with farm real estate loans.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	03-31-09 Security Inventory \$6.8 Million compared to 3-31-10 Security Inventory totaling \$7.65 Million. One-Hundred percent of the inventory reported for each respective date was made up of Kansas Municipal Securities.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	As earlier noted, 100% of the CPP Capital was paid down to the operating entity, Haviland State Bank, where it was booked to Surplus Equity Capital.

What actions were you able to avoid because of the capital infusion of CPP funds?

In some cases, we were able to avoid selling loan participations as a result of our increased lending limit that resulted from the increase in Capital.

Our initial intention for using the CPP Capital was for growth at the Bank (operating entity) level and for additional cushion where capital is concerned to strengthen the Bank and increase our ability to weather the on-going economic recession, should it extend to Rural America in general, and specifically to Agricultural Production. While Rural America and production agriculture has not escaped the economic recession, it has yet to be impacted to the degree seen in housing, commercial real estate, manufacturing, and retail sectors of the economy, to mention a few. So, while the infusion of the CPP funds may not have assisted us in avoiding some "actions" to date, it remains in position to do so if economic circumstances or other circumstances so dictate.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

To date, earning asset growth at the Bank level has been the primary beneficiary.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

None

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.