



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 31, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Marathon National Bank of New York
Charter Number: 21686

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Astoria, NY 11103-0000

Office of the Comptroller of the Currency

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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.

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

- The averaged quarterly loan-to-deposit ratio of 75.23 percent is reasonable.
- A substantial majority of the loans were located within the Assessment Area (AA) by both dollar and number.
- The borrower distribution to businesses of different sizes is reasonable.
- The geographic distribution of business loans is reasonable.
- Community development loans and investments volumes are satisfactory and adequately respond to community needs.

Scope of Examination

The scope of the evaluation is to evaluate the institution's performance related to the Community Reinvestment Act (CRA) and Community Development. We reviewed a sample of loans and all community development loans and investments between January 1, 2008 and May 31, 2011. The random sample of loans selected for evaluation includes those from the primary loan type, which are business loans. No data integrity review was necessary prior to the CRA examination.

Description of Institution

Marathon National Bank of New York (Marathon) was established in 1989 to meet the financial needs of the local individuals and business within the New York metropolitan area. Headquartered in Queens, New York, Marathon is an interstate bank with 13 full-service branches and 16 ATMs located in the greater New York – New Jersey – Long Island area. The majority of the branches are located in the New York City's Queens and Kings counties with New York, Richmond, Bergen (Fort Lee, NJ), and Nassau (Long Island, NY) counties each containing one branch.

As of March 31, 2011, Marathon's net loans comprise 62 percent of total assets of \$841.6 million. Ninety-five percent of the loan portfolio is comprised of real estate loans, with most contained in commercial real estate. Total deposits of \$730 million are made up of mostly money market accounts of \$251 million, demand deposits of \$168 million, and certificates of deposit of \$255 million. The remaining deposits are held in savings accounts of \$39 million and notice of withdrawal accounts of \$17 million. Marathon offers a range of personal and commercial banking services with a focus on commercial banking.

Among the products and services included are:

Available Deposit Accounts:	
Personal Best Checking	Business Best Checking
Interest Checking	Business Xpress Checking
Passbook Savings	Regular Business Checking
Statement Savings	Statement Savings
Prime Savings	Prime Savings
Personal Money Market	Business Money Market
Personal Money Market Plus	
Certificates of Deposit	
Individual Retirement Accounts	

Available Lending Products:	
Consumer Installment	Business Installment
Home Equity Line of Credit	Commercial Line of Credit
Home Equity Loan	Commercial Real Estate Mortgage
Home Mortgages	
Personal Cash Reserve	

Marathon's last CRA performance evaluation occurred April 2007 as an intermediate small bank. The overall CRA rating was satisfactory with both the lending test and community development test also rated satisfactory. Since then, the bank closed one of its branches in the Chelsea section of Manhattan (an upper income tract).

There are currently no legal factors that would affect Marathon's ability to meet the credit needs of the assessment area.

Description of Assessment Area

The bank's assessment area (AA) consists of six counties located within the larger New York-New Jersey-Long Island Metropolitan Statistical Area (MSA). The counties located in the bank's MSA fall under two different Metropolitan Divisions (MD)—35644 (New York – New Jersey – PA) and 35004 (Nassau – Suffolk). Five of the counties are located in New York State, including New York County, Queens County, Kings County, Nassau County, and Richmond County. In New Jersey, the bank's assessment area consists of Fort Lee and Englewood Cliffs, both of which are located in Bergen County. All counties are located in the 35644 MD, except for Nassau County which is located in the 35004 MD. The bank has branches in all six counties, with the majority of branches located in New York State. The bank has one branch in Fort Lee and subsequently added Fort Lee and Englewood Cliffs to the AA.

The bank's entire AA contains 2,036 diverse census tracts. Of those tracts, 9.5 percent are low-income, 25.7 percent are moderate-income, 36.7 percent are middle-income, and 25.6 percent are upper-income. This composition remains unchanged from the 2007 CRA evaluation. Sixteen percent of households live below the poverty level, with median incomes varying between counties. Nassau – Suffolk has the highest median household income at \$75,729. All other New York State counties have a median household income of \$45,609 and Bergen County has a median household income of \$64,867. There are no Distressed or Underserved tracts contained in the AA for the evaluation period.

Business activity in the bank's assessment area is concentrated in non-farm small businesses. The non-farm business category comprises 99.7 percent of total businesses or 555,640 entities in the AA. Farm businesses comprise only 1,533 entities. Nearly 90 percent of the businesses in the AA report revenues of less than \$1 million. Businesses that did not report revenues represent 3 percent of the AA. Nearly 76 percent of the businesses are located in the upper and middle income tracts, which represent the majority. Eighteen percent are within the moderate income tract and 5.4 percent in the low income tract. Table 1 below summarizes the AA's 2010 census tract totals and the non-farm business demographics.

Income Tract	AA Total	Non-farm Businesses		Revenues <= \$1 million		Revenues > \$1 million	
		#	%	#	%	#	%
Low	193	30,047	5.4%	22,340	5.3%	1,286	4.2%
Moderate	524	99,279	17.9%	77,133	18.4%	4,210	13.6%
Middle	747	171,524	30.9%	135,352	32.2%	8,508	27.6%
Upper	522	248,595	44.7%	181,295	43.2%	16,213	52.5%
N/A	50	6,195	1.1%	3,749	0.9%	641	2.1%
Totals	2036	555,640	100.0%	419,869	100.0%	30,858	100.0%

Source: 2000 U.S.

The May 2011 the national unemployment rate was 9.1 percent. Unemployment rates for the bank's AA were lower than the national average, according to information published in 2011. The unemployment rate in the New York – White Plains area is highest, at 5.3 percent. Unemployment rates in Nassau – Suffolk and Bergen County are lower at 2.32 percent and 2.01 percent, respectively. According to the Bureau of Labor Statistics, employment has increased in the majority of business sectors in the New York – New Jersey area. Though unemployment is up 0.5 percent for the region from February 2010, the city and surrounding areas have experienced slower than average job growth compared to the rest of the nation. The region is beginning to see growth in economic activity; funding small-business growth in the area is a primary concern for the Queens area in particular as the economy begins to recover from the 2008 economic crisis.

Selection of the Area for Full-Scope Review

Our full-scope review covered Marathon's business loans as they are the primary loan type. Business loans consist of 75 percent of the total number of loan purchases and originations and 93 percent of the total dollar amount for the evaluation period. Our review focused on MD 35644 as this is where Marathon performs most of its lending activity. For our evaluation period, the level of lending in Nassau County MD 35004 was nominal when compared to total loan purchases and originations. Since January 1, 2008 only 4 percent of the total number of loan originations was located in Nassau County. Those originated in Nassau County only comprised 3 percent of the total dollar amount of loans originated within the evaluation period.

Conclusions with Respect to Performance Tests

LENDING TEST

Marathon's Lending Test Rating is: Satisfactory

Loan-to-Deposit Ratio

Marathon's Loan-to-Deposit (LTD) ratio is reasonable given the institution's size and condition as well as the AA's credit needs. The averaged quarterly LTD ratio is 74.91 percent. This was calculated using the quarterly averages between January 1, 2008 and March 31, 2011.

The average LTD is reasonable compared to community banks of a similar size (total assets greater than \$500 million and less than \$1 billion) located in the AA. It ranks sixth among 11 institutions serving the AA. The other ten banks had an averaged quarterly LTD ratio of 75.28 percent for the same period. The average LTD ranged between 47.3 percent and 107.24 percent.

Lending in Assessment Area

A substantial majority of Marathon’s loans were made within the AA as 97 percent of Marathon’s loans purchased and originated were within its AA. Examiners reviewed 35 business loans and 34 were within the defined AA. Nearly 90 percent of the total dollar amount of purchased and originated loans in our sample were within the AA.

The following table illustrates the business loans reviewed that were inside and outside the AA:

Table 2 - Business Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	34	97.14%	1	2.86%	35	\$32,087	89.66%	\$3,700	10.34%	\$35,787
Totals	34	97.14%	1	2.86%	35	\$32,087	89.66%	\$3,700	10.34%	\$35,787

Source: Loan Sample and 2010 US Census Business Demographic Data

Lending to Businesses of Different Sizes

Borrower Distribution is reasonable for loans made to small businesses. At nearly 62 percent of the total number of loans reviewed, the majority of Marathon’s loans were made to businesses with revenues less than \$1 million. As a percentage of the dollar amount reviewed, it was about 71 percent. Both these ratios are relatively close to the percentage of small businesses located in the AA and indicate reasonable penetration. All loans sampled had business revenues available.

Table 2A below compares results of the reviewed commercial loans to the AA’s actual percentage of businesses by business revenue size:

Table 2A - Borrower Distribution to Businesses in Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	75.56%	5.55%	18.89%	100%
% of Bank Loans in AA by #	61.76%	38.24%	0.00%	100%
% of Bank Loans in AA by \$	71.41%	28.59%	0.00%	100%

Source: Loan Sample and 2010 US Census Business Demographic Data

Geographic Distribution of Loans

The Geographic Distribution of loans to businesses is reasonable. While none of the loans in the sample were located in a low-income census tract, Marathon’s level of lending to businesses located in moderate-income census tracts is more than double the percentage of businesses in that tract. As a result, Marathon’s lending represents reasonable dispersion.

Table 3 illustrates the percentage of business loans sampled located in the various income tracts:

Table 3 - Geographic Distribution of Commercial Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	5.41%	0.00%	17.87%	41.18%	30.87%	35.29%	44.74%	23.53%

Source: Loan Sample and 2010 US Census Business Demographic Data

Responses to Complaints

The bank has not received any complaints since the prior examination regarding its performance in meeting the credit needs of the AA.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in New York–New Jersey is rated: Satisfactory

Marathon’s best method for meeting the community’s needs is to provide credit opportunities to those in the AA. It originated 11 community development loans totaling \$15.9 million and committed to various community development investments totaling \$18 thousand to help meet the needs of the AA. This is positively considered in light of the nominal asset growth experienced at the institution since 2008.

Number and Amount of Community Development Loans

Marathon’s community development lending demonstrates adequate responsiveness to the AA’s needs. Throughout the evaluation period, Marathon originated 11 loans for a total of \$15.9 million. Each of the loans that qualified covered at least one of the four main purposes of community development loans. The primary purpose for nine of the loans was to provide affordable housing (including multifamily rental housing) for low- or moderate-income (LMI) individuals.

One loan's primary purpose provided community services targeted to LMI individuals; and two loans had the primary purpose of conducting activities that promote economic development by financing businesses that meet the size eligibility of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less. The loans have not been considered or reported for CRA evaluation purposes by any other institution.

Number and Amount of Qualified Investments

Marathon has an adequate responsiveness to the AA's needs through community development investments. Throughout the evaluation period, numerous CRA qualified investments in the form of donations were made to various organizations/nonprofits within the AA that serve LMI individuals and families. The level of qualified investments increased 136 percent to \$18,256 compared to the previous evaluation's total of \$7,735. The majority of the donations were targeted to organizations that promote community development by providing community services and economic development for LMI individuals, families, and businesses. In addition, the bank's qualified investments also supported organizations that serve LMI immigrant communities, provide medical treatment substance recovery programs, and provide transitional housing for women within the bank's AA. The investments have not been considered or reported for CRA evaluation purposes by any other institution. Marathon continues to maintain its targeted CRA efforts within the community development lending aspect, and as a result, more emphasis was placed in that area.

Extent to Which the Bank Provides Community Development Services

Adequate responsiveness is seen with respect to Marathon's community development services. As representatives of the bank, Marathon's management team and staff are active members of various community organizations. Community development services are not heavily weighted in the overall Community Development Rating as management emphasizes the best method for meeting the AA's needs would be through community development lending. For future CRA evaluations, management can consider maintaining additional support with regard to its employee involvement in these services for qualification as a community development service.

Responsiveness to Community Development Needs

Marathon demonstrates adequate responsiveness to the community development needs of its AA. This is appropriate considering the needs, opportunities, and the performance context surrounding the bank.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed (if applicable), 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: 01/01/08 to 5/31/11 Community Development Test: 01/01/08 to 5/31/11	
Financial Institution	Products Reviewed	
Marathon National Bank of New York (MNBNY) Astoria, NY	Business Loans – Commercial Real Estate and Commercial & Industrial Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
New York-New Jersey-Long Island (New York and New Jersey) NY-NJ-White Plains #35644 Nassau County #35004	Full Scope	