



Office of the  
Comptroller of the Currency  
Washington, DC 20219

**SMALL BANK**

## **PUBLIC DISCLOSURE**

August 07, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Marion National Bank  
Charter Number 7911

302 East Main Street  
Marion, KS 66861

Office of the Comptroller of the Currency

2959 N. Rock Road  
Suite 510  
Wichita, KS 67226

**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**

- The Marion National Bank's average quarterly loan-to-deposit (LTD) ratio is reasonable. The bank's average quarterly LTD ratio is 50% compared to 69% for similarly situated banks in the Assessment Area (AA).
- A vast majority of the bank's primary loan products have been granted in the assessment area (AA). The loan sample indicated that 90% of the number and 96% of the dollar volume of loans were granted in the AA.
- The Marion National Bank's level of lending to farms of different sizes is outstanding. One hundred percent (100%) of the number of loans were to farms with revenues less than or equal to \$1 million.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of Marion National Bank's AA using small bank Community Reinvestment Act procedures. The bank lacks the ability to produce historical data to quantify the bank's primary lending product; however, interviews with senior management confirmed that the primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated in Marion and Lyon counties during 2010 and 2011. The business strategy has not changed, therefore, the loans granted during these years are representative of all loans granted since the October 18, 2007, CRA examination.

**DESCRIPTION OF INSTITUTION**

Marion National Bank (MNB) is a \$24 million bank headquartered in Marion, Kansas. The bank does not have any branches, having sold the Emporia, Kansas branch in July of 2012. The bank has one Automated Teller Machine located at the main office. The bank operates under Marion Bancshares, a one-bank holding company located in Marion, Kansas. As of December 2012, the holding company has total assets of \$24 million. There have been no changes in the bank's corporate structure.

MNB is a full-service bank offering a variety of loans. Total loans represent 29% of the bank's total assets. As of June 30, 2013, the bank's \$6.9 million loan portfolio has the following composition: real estate loans 59%; agricultural 20%; commercial 10%; and individual/other 11%. Farm real estate loans represent 13% of total real estate loans.

MNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of its AA. We assigned a "Satisfactory" rating at the October 18, 2007, CRA examination.

## DESCRIPTION OF ASSESSMENT AREA

During the evaluation period, MNB's AA consisted of all of Marion County and Lyon County, Kansas. Neither county is a Metropolitan Statistical Area (MSA). The AA contains eleven middle-income census tracts and one upper-income tract. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 49,296. The Kansas statewide non-MSA HUD Estimated 2011 Median Family Income was \$53,700. The income distribution for families in the AA is 17% low-income; 21% moderate-income; 25% middle-income; and 37% upper-income. Of the 18,799 households in the AA, 28% receive social security; 13% have income below poverty levels; and 3% receive public assistance. Thirty-three percent (33%) of the population is not in the workforce and 14% is over the age of 65.

The median housing value is \$64,406 and 60% of the housing units are owner-occupied. The local economy is stable. Agricultural production dominates the local economy. The effects of drought conditions have been mitigated by increased cattle and grain prices. Major employers of the area are Marion Die & Fixture, Marion Manufacturing, Marion County, Western Associates, St. Luke Hospital, Tyson Fresh Meats, USD 253 and USD 408, and Emporia State University. These employers provide employment diversity and stability in the local economy. The Kansas unemployment rate of 5.8% for June of 2013 is well below the nationwide rate of 7.6%.

Several financial institutions with offices in the AA drive the level of competition in the bank's AA. With 3% of the area's deposits, the bank ranks thirteenth out of nineteen in deposit market share.

Examiners contacted one community professional. The contact indicated MNB is actively involved in the community. The contact identified agricultural loans as the area's primary credit need, and indicated that area banks are meeting those needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

MNB's level of lending is reasonable. The bank's average quarterly LTD ratio since the last CRA exam is 50%. The average quarterly LTD ratio for four similarly situated banks in the AA is 69%. The average quarterly LTD ratio for the peer banks range from 63% to 81%.

While MNB's average quarterly LTD ratio is below that of peer banks, it is still considered reasonable. The average quarterly LTD ratio for MNB has historically been below peer.

## Lending in Assessment Area

MNB's lending to agricultural borrowers within the AA is outstanding. The bank extended a substantial majority of its primary loan product to borrowers in the AA. Specifically, the bank made 90% of the number and 96% of the dollar amount of loans in the AA.

## Lending to Farms of Different Sizes

As reflected in the table below, MNB's lending performance to farms of different sizes is outstanding when compared to AA demographics. The agricultural loan sample indicates 100% of the number and 100% of the dollar amounts were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 99% of farms in the AA have revenues less than or equal to \$1 million. Further breakdown of the sample shows 70% of the loans were to farms with revenues of less than \$250 thousand and 50% were to farms with revenues less than \$100 thousand.

<b>Borrower Distribution of Loans to Farms in Marion Assessment Area</b>				
Farms Revenues	$\leq \$1,000,000$	$> \$1,000,000$	Unavailable/ Unknown	Total
% of AA Farms	99%	0%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: Loan sample and 2011 Business Geo-demographic data*

## Geographic Distribution of Loans

An analysis of the distribution of credit within the assessment area would not be meaningful, as the AA does not have any low- or moderate-income tracts.

## Responses to Complaints

The Marion National Bank has not received any CRA related complaints since the previous CRA examination.

## 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.