



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 18, 2007

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

Wichita Field Office
3450 North Rock Road Suite 505
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 ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 44% compared to 77% for similarly situated banks in the assessment area.
- A vast majority of the bank's primary loan products have been granted in the assessment area. The loan sample indicated that 95% of the number and 97% of the dollar volume of loans were granted in the assessment area.
- The Marion National Bank's level of residential real estate lending to borrowers of different incomes is reasonable even though lending to low-income borrowers is slightly below area demographics. The assessment area demographics reveal that 17% of the families are low-income and 15% of the loans in the sample were to low-income borrowers. Lending to moderate-income borrowers is in line with demographic data showing that 21% of families are moderate-income and 20% of the loans in the sample were to moderate-income borrowers.
- The Marion National Bank's level of lending to farms of different sizes is excellent. 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 The Marion National Bank's assessment area using small bank Community Reinvestment Act procedures.

DESCRIPTION OF INSTITUTION

The Marion National Bank (MNB) is a \$24 million bank headquartered in Marion, Kansas. The bank does not have any branches. 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. As of December 31, 2006, the holding company has total assets of \$26.5 million. There have been no changes in the bank's corporate structure.

MNB is a full-service bank offering a variety of loans. Net loans represent 33% of the bank's total assets. As of June 30, 2007, the bank's \$8.3 million loan portfolio has the following composition: real estate loans 52%, agricultural 18%, commercial 15%, and individual/other 15%. The bank has added home equity lines of credit, home improvement loans, and Christmas loans to its loan products since the previous Community Reinvestment Act (CRA) examination. Examiners determined the primary loan products, based on the number and dollar volume granted during the previous two calendar years and year-to-date 2007, are residential real estate loans and agriculture loans, respectively.

MNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the June 16, 2003, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

MNB's assessment area (AA) consists of all of Marion County, Kansas. The county is not in a Metropolitan Statistical Area (MSA). The AA contains four middle-income census tracts. 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 13,361. The Kansas state-wide non-MSA median income for 2006 is \$47,900. The income distribution for families in the AA is 17% low-income, 21% moderate-income, 27% middle-income, and 35% upper-income. Of the 5,082 households in the AA, 36% receive social security, 8% have income below poverty level, and 2% receive public assistance. Thirty percent (30%) of the population is not in the work force and 21% is over the age of 65.

The median housing value is \$58,315 and 69% of the housing units are owner-occupied. The local economy is stable. Agricultural production dominates the local economy. The effects of poor weather conditions have been mitigated by increased cattle and grain prices. Major employers of the area are Marion Die & Fixture, Marion Manufacturing, Western Associates, St. Luke Hospital, and USD 408. These employers provide employment diversity and stability in the local economy. The Kansas unemployment rate of 4.5% for September 2007 is in line with the nationwide rate of 4.7%.

The level of competition in the bank's AA is driven by a number of other banks and several financial institutions with offices in the AA. With 10% of the area's deposits, the bank ranks fifth in deposit market share.

Examiners contacted one community professional. The contact indicated MNB is actively involved in the community. The contact identified residential real estate and agricultural loans as two of the area's primary credit needs, 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 quarterly average loan-to-deposit ratio (LTD) since the last CRA exam is 44%. The average quarterly LTD ratio for four similarly situated banks in the AA is 77%. The average quarterly LTD ratio for the peer banks range from 64% to 91%.

While MNB’s quarterly average LTD ratio is below that of peer banks, it is still considered reasonable. The average LTD ratio for MNB has historically been below peer. MNB has only one location while several peer banks in the area have multiple locations with the ability to lend in areas outside the AA through branches.

Lending in Assessment Area

The bank’s lending in the AA is good as it extends a vast majority of its primary loan products to borrowers located in the AA. Specifically, we found that MNB made 95% of the number and 97% of the dollar amount of loans in the AA. The sample included 40 loans originated, purchased, or committed during 2005, 2006, and year-to-date 2007. The loan sample included 20 loans of each of the two primary products.

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

Lending levels to borrowers of different incomes and businesses of different sizes are good. To assess the bank’s performance, examiners selected a sample of 20 residential real estate loans and 20 agriculture loans. These products represent the majority of the loans originated from January 1, 2005, to year-to-date 2007.

MNB’s level of residential real estate lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is slightly below area demographics. The AA demographics reveal that 17% of the families are low-income and 15% of the loans in the sample were to low-income borrowers. Lending to moderate-income borrowers is in line with demographic data showing that 21% of families are moderate-income and 20% of the loans in the sample were to moderate-income borrowers.

Borrower Distribution of Residential Real Estate Loans in Marion Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1–4 Family Residential RE	17%	15%	21%	20%	27%	25%	35%	40%

Source: Loan sample and 2000 U.S. Census data

Lending levels to farms of different sizes is excellent. 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; 1% of farms have unavailable or unknown revenues. Further breakdown of the sample shows 85% of the loans were to farms with revenues of less than \$250 thousand and 65% were to farms with revenues less than \$100 thousand.

Borrower Distribution of Loans to Farms in Marion Assessment Area				
Farms Revenues	≤\$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 2007 Business Geodemographic 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.