



PUBLIC DISCLOSURE

December 19, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Marion National Bank
7911

302 East Main Street
Marion, KS 66861

Office of the Comptroller of the Currency

Wichita Field Office
2959 North 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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory

- Marion National Bank's (MNB) average loan-to-deposit (LTD) ratio is reasonable given asset size, financial condition, and lending opportunities within assessment area (AA).
- MNB meets community credit needs as most loans were originated within the AA.
- Bank lending reflects a reasonable pattern of providing lending to borrowers of different income levels.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit (LTD) ratio is reasonable.

From January 1, 2019, to December 31, 2021, MNB had an average quarterly LTD of 37 percent versus MNB's competitors at 66 percent. Quarterly LTD ratios for the bank ranged between 30 percent to 42 percent compared to competitors ranging from 30 percent to 89 percent. MNB's quarterly LTD ratio is reasonable when compared to competitors, as MNB has a lower market share in the AA. As of the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, MNB ranked sixth out of nine institutions in deposit market share with 6 percent of deposits within Marion County, KS. MNB's top two competitors, Central National Bank and The Tampa State Bank, comprised a total of 50 percent of deposits within the county.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated or purchased 95 percent of its total loans by number and 99 percent of total loans by dollar amount inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. From the examiner selected sample of 20 loans, MNB originated one loan outside the AA, which comprised 5 percent of the loan sample volume. This did not adversely impact the bank's rating under the lending test.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	19	95%	1	5%	20	\$2,418	99%	\$35	1%	\$2,453
Total	19	95%	1	5%	20	\$2,418	99%	\$35	1%	\$2,453

Description of Institution

MNB is a \$29.93 million institution located in Marion, Kansas. MNB is a single facility bank that offers drive-thru services and has one automated teller machine in the foyer. MNB is a subsidiary of Marion Bancshares, which has total assets of \$3.5 million as of September 30, 2022.

MNB designates the entire Marion County, KS as the bank's AA. The AA comprises four middle-income census tracts (4895, 4896, 4897, and 4898). The AA complies with the regulation and does not arbitrarily exclude any low-or moderate-income areas. Please refer to Appendices A and B for additional information.

MNB operates within a competitive AA for deposit market share. According to the FDIC's Deposit Market Share Report as of June 30, 2021, MNB ranks sixth out of nine institutions in deposit market share with 6 percent of deposits. Central National Bank (CNB), Tampa State Bank (TSB), Emprise Bank, Vintage Bank Kansas, and Citizens State Bank have a greater market share of deposits within the AA at 34 percent, 16 percent, 14 percent, 9 percent, and 8 percent, respectively. CNB and TSB have offices in Marion, KS.

MNB is a full-service bank offering a range of agricultural, commercial, real estate, and consumer credit products. MNB's primary loan product is small farm loans. As of December 31, 2021, net loans represent 26 percent of total assets. Bank portfolio consists of 39 percent agricultural loans, 31 percent consumer loans, 21 percent commercial and 9 percent in other loans. As of September 30, 2022, MNB's tier 1 capital is \$3.46 million.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Examiners performed an evaluation of MNB's CRA performance using the Small Bank CRA procedures. This Performance Evaluation (PE) is an assessment of CRA performance from January 1, 2019, through December 31, 2021. The evaluation for this lending product included a review of 20 small farm loans originated by MNB during the evaluation period. Only one analysis for one evaluation period is required. We also reviewed the bank's donations made during the evaluation period. MNB made 16 donations, totaling \$14,476.34 to 16 organizations in the AA during the evaluation period.

Selection of Areas for Full-Scope Review

Marion County, KS is the bank's only AA. Examiners performed a full-scope review of the AA. Refer to Appendix A: Scope of Examination for more information on the full-scope AA.

Ratings

MNB's overall rating is based solely on the full-scope review of the Marion County AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performances) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

CRA performance rating has not been lowered due to any of these findings. Examiners consider the nature, extent, and strength of the evidence of the practices; the extent to which the institution had policies and procedures in place to prevent the practices; and the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Kansas

CRA rating for the State of Kansas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- MNB's average LTD ratio is reasonable.
- MNB originated a majority of loans inside the AA.
- The majority of MNB's small farm lending is to farms with revenues less than \$1 million.

Description of Institution's Operations in Kansas

MNB has one AA consisting of Marion County, Kansas. This is a non-MSA AA located in central Kansas. The AA meets regulatory requirements, as it consists of one whole geography and does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income geographies. The AA comprises four middle-income census tracts (4895, 4896, 4897, and 4898).

According to the most recent FDIC Deposit Market Share Report, dated June 30, 2021, Marion County has \$346 million in deposits, with MNB having six percent of the market share. Two of MNB's largest competitors, CNB and TSB, have locations within the city of Marion, KS.

Examiners utilized three existing community contact interviews that were made in the AA during the evaluation period to assess credit needs and opportunities in the AA. The community contacts included a representative of the Farm Service Agency, the Marion County Economic Development, and the Marion County Election Office. The contacts noted that the financial institutions within Marion County, an agricultural community, adequately serve the community's agricultural needs; they also indicated that the overall economy is stable. Contacts mentioned a high level of competition among financial institutions, with institutions in smaller communities having to directly compete with institutions in larger communities.

Marion County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Marion AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	12,290	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,930	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,817	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	991	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,122	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	798	0.0	0.0	100.0	0.0	0.0
Farms by Geography	197	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,289	16.8	18.2	23.7	41.3	0.0
Household Distribution by Income Level	4,808	22	18	17.5	42.5	0.0
Median Family Income Non-MSAs – KS		\$57,229	Median Housing Value			\$80,598
			Median Gross Rent			\$560
			Families Below Poverty Level			8.1%%
<i>Source: 2015 ACS Census and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Kansas

The Marion County AA received a full-scope review. A limited scope review is not applicable as the bank only has one AA.

LENDING TEST

The bank's performance under the Lending Test in Kansas is Satisfactory.

Conclusions for Area Receiving Full-Scope Review

Based on a full-scope review, the bank's performance in the Marion County AA is good.

Distribution of Loans by Income Level of the Geography

Examiners did not complete an analysis of the geographic distribution of loans as the AA does not contain any low or moderate-income tracts. Therefore, analysis of geographic distribution of loans originated in the AA would not be meaningful.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Small Loans to Farms

Refer to Table T in the state of Kansas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Responses to Complaints

MNB did not receive any written complaints related to CRA performance during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs 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:	01/01/2019 to 12/31/2021	
Bank Products Reviewed:	Small farm loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Rating and Assessment Area	Type of Exam	Other Information
Marion County	Full Scope	N/A
State		
Kansas		

Appendix B: Summary of MMSA and State Ratings

RATINGS	The Marion National Bank
Overall Bank:	Lending Test Rating
Marion National Bank	Satisfactory
MMSA or State:	
Kansas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2019-2021	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Marion AA	20	\$2,453	100	214	98.5	95.0	65.0	1.0	5.0	0.5	N/A	
Total	20	\$2,453	100	214	98.5	95.0	65.0	1.0	5.0	0.5	N/A	
<i>Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												