



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

January 13, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marion National Bank
Charter Number 7911**

**302 East Main Street
Marion, Kansas 66861**

**Office of the Comptroller of the Currency
Salina Field Office
1516 East Iron Street
Salina, Kansas 67401**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Marion National Bank, Marion, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 13, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "**Satisfactory**".

The bank has a satisfactory record of meeting the credit needs of its assessment area.

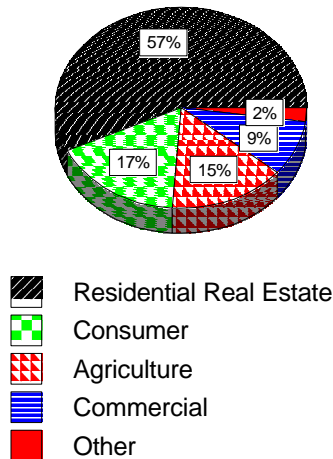
- ▶ All loans granted from July 2, 1996, to January 22, 1999, indicated 84% of the number of loans and 80% of the dollar amount of loans are in the bank's assessment area.
- ▶ The bank's average loan-to-deposit ratio for the past eight quarters of 45% is reasonable. This ratio has increased annually for the past three years to 52% on September 30, 1999.
- ▶ The bank's distribution of residential real estate loans to low- and moderate-income individuals is reasonable.

DESCRIPTION OF INSTITUTION

Marion National Bank (MNB) is a \$22 million institution in Marion, Kansas. MNB does not have any branch locations. The bank added an automated teller machine (ATM) in 1996. It is the only financial institution headquartered within the bank's assessment area. MNB is a full service bank and offers a variety of loans with an emphasis on 1-4 family residential real estate. Net loans are 46% of total assets or \$10.2 million. As of September 30, 1998, residential real estate loans accounted for

Loan Portfolio Composition

As of September, 30 1998



57% or \$5.8 million of the loan portfolio, consumer loans represented 17% or \$1.7 million, agricultural loans represented 15% or \$1.5 million, commercial loans represented 9% or \$1 million, and other loans represented 2% or \$.2 million. Examiners interviewed three individuals in service industries within the local community. These contacts indicated the primary credit needs of the areas included residential real estate, agriculture, and start-up business loans. The contacts stated the local financial institutions were meeting the credit needs of the community.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet community credit needs. At the

previous CRA examination dated June 14, 1996, MNB received a "Satisfactory Record of Meeting Community Credit Needs" rating.

DESCRIPTION OF ASSESSMENT AREA

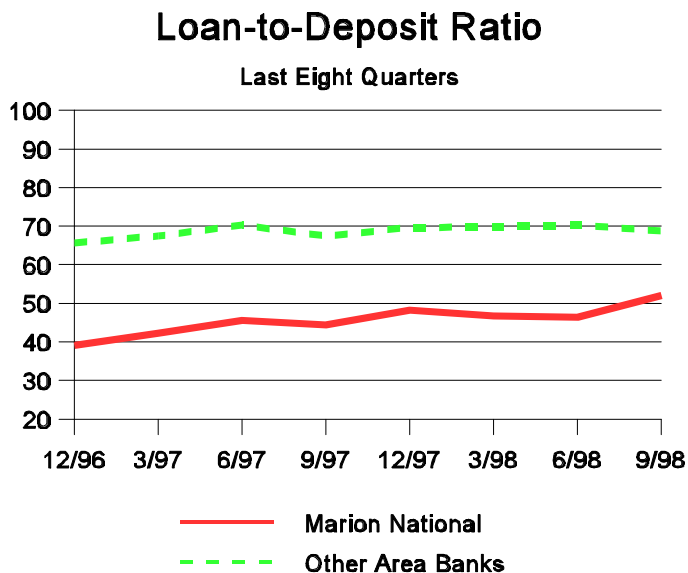
The bank's assessment area (AA) consists of a single block numbering area (BNA) 9897. The population of the BNA is 2,786. Marion is the county seat for Marion County and the only town in the AA. The AA is not in a Metropolitan Statistical Area and consists of one income census tract which is middle-income and no low- or moderate-income tracts. Households below the poverty level comprise 12% of the AA, households receiving social security 43%, and retirement households 16%. Family income distribution is 15% low-income, 22% moderate-income, 26% middle-income, and 37% upper-income. The median housing value is \$33.6M and 63% are owner occupied units. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Kansas statewide nonmetropolitan median family income is \$38,200 for 1998. Unemployment for the area is low. The economy is dominated by agriculture. Small retail businesses and light industry in Marion provide diversification. Marion is a bedroom community for nearby McPherson, Wichita, and Emporia. Bank management estimated 25% of Marion's workforce commutes to these cities for employment. In addition, local county and city government, the public school system, and medical/nursing care centers provide employment opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's lending level is reasonable given the bank's size and the AA's credit needs. During the last eight quarters the bank's quarterly average loan-to-deposit ratio was 45%. This compares favorably to 38% at the previous Community Reinvestment Act Performance Evaluation in 1996. The bank's total loans have increased 16% in the last year with the largest increase in agriculture and real estate loans. These were credit needs identified through the community contacts. The bank's yield on loans compared to peer indicates MNB's loan rates are lower.

There are four other financial institutions with headquarters in Marion County and four additional institutions with branches in the county. Two of these branches are in the bank's assessment area with one being a part of a larger multi-branch organization. Examiners compared seven similar sized banks in Marion County to MNB, excluding the larger multi-branch organization. These institutions have an average loan-to-deposit ratio of 69%, ranging from 55% to 91%. The bank with the highest ratio also has a branch in Lawrence, KS, an MSA. Although the loan-to-deposit ratio is below seven banks in Marion County, the bank's ratio has an increasing trend and at September 30, 1998, is 52%.



Management stated the bank's lower loan-to-deposit ratio is due to Marion's older, very conservative population, which traditionally is not a high borrowing segment of the economy.

Community contacts felt MNB is active in the community, and was meeting the credit needs of the community.

Lending in Assessment Area

The bank extends a majority of its loans within the assessment area. Examiners found that 84% of the number and 80% of the dollar volume of all loans originated from July 1996, through January 22, 1999, were in the bank's AA. Examiners selected a sample to verify the bank's data.

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

The bank’s distribution of borrowers reflects a reasonable penetration among individuals of different income levels.

A sample of thirty-seven residential real estate customers, which accounts for 30% of the residential real estate portfolio, indicates the bank is lending to individuals of different income levels. The bank’s lending to low-income individuals is below the percentage of low-income families in the AA. Demographic data from the 1990 census indicates 27% of the population is over the age of sixty-five. Management states this sector of the population tends to be home owners with lower income and with few credit needs. The lending to moderate-income individuals is in line with the demographics of the assessment area.

Income Level Distribution of Residential Real Estate Loan Sample			
Income Level Distribution	Number of Customers	Percentage of Loan Sample	Percentage of Families in Income Category
Low-Income	2	5%	16%
Moderate-Income	7	19%	22%
Middle-Income	11	30%	27%
Upper-Income	17	46%	35%

Geographic Distribution of Loans

An analysis of the distribution of credit within the AA would not be meaningful as it includes only a middle-income tract.

Response to Complaints

The bank has not received any CRA related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. We based our fair lending review on gender and reviewed twenty single female or single male vehicle loans. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.