



## **PUBLIC DISCLOSURE**

October 30, 2018

### **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  
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: Satisfactory**

### **The Lending Test is rated: Satisfactory.**

- The Marion National Bank's (MNB) loan-to-deposit (LTD) ratio of 40 percent is reasonable.
- MNB originated a substantial majority of its loans within the assessment area (AA). The sample indicates that MNB originated 88 percent of the number of loans, and 87 percent of the dollar volume of loans within the AA.
- MNB's lending patterns reflect excellent distribution to borrowers of different income levels and businesses of different sizes. Performance indicates that 90 percent of agricultural loans were made to farms with gross revenues less than or equal to \$1 million, for both the 2015-2016 and 2017 time periods.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 MA/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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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 One 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.

## Description of Institution

MNB is a \$21 million bank, located in Marion, Kansas. MNB is a single facility bank, with no branch locations. MNB has one automated teller machine located within the main office. MNB is a subsidiary of Marion Bancshares, a one-bank holding company. The holding company has total assets of \$3.7 million as of September 30, 2018.

MNB designates Marion County as the bank's AA. The AA comprises four middle-income census tracts. 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 Federal Deposit Insurance Corporation's most recent deposit market share report dated June 30, 2017, MNB ranks fifth out of nine institutions in deposit market share with seven percent of the deposits within the AA. Central National Bank (CNB), The Tampa State Bank (TSB), Emprise Bank (EB), and Vintage Bank Kansas (VBK) outpace MNB for market share of deposits within the AA, with 32 percent, 15 percent, 15 percent, and nine percent, respectively.

MNB is a full-service bank offering a range of agricultural, commercial, real estate, and consumer credit products. As of September 30, 2018, net loans total \$8 million and represent 37 percent of MNB's total assets. MNB's loan portfolio comprises 25 percent residential real estate loans, 29 percent commercial loans, 40 percent agricultural loans, and 6 percent consumer loans. As of September 30, 2018, MNB had tier 1 capital of \$2.7 million.

There are no legal, financial, or other matters impeding MNB's ability to help meet the credit needs of the AA. The Office of the Comptroller of the Currency last evaluated MNB's CRA performance on August 7, 2013. MNB received an overall rating of "Satisfactory" under the Small Bank Performance Standard.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

Examiners performed an evaluation of MNB's CRA performance using the Small Bank CRA procedures. The evaluation period is an assessment of CRA performance from January 1, 2015, through December 31, 2017. MNB's primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated in Marion County during 2015 and 2016, and 20 agricultural loans originated in 2017. We performed two analyses due to the 2015 American Community Survey (ACS) census update.

### **Data Integrity**

We did not perform a data integrity review as MNB is not a CRA or Home Mortgage Data Disclosure reporter.

### **Selection of Areas for Full-Scope Review**

Marion County is MNB's only AA. We performed a full-scope review of the AA. Please refer to Appendices A and B for additional information.

### **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's 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 assessment area 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 Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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.

# Conclusions with Respect to Performance Tests

## LENDING TEST

MNB’s performance with respect to the lending test is satisfactory. Lending volumes are reasonable given MNB’s size, financial condition, and the credit needs of the AA. A substantial majority of agricultural loans were originated to borrowers within the AA. MNB’s lending performance reflects excellent distribution to borrowers of different income levels and businesses of different sizes.

### Loan-to-Deposit Ratio

MNB’s loan-to-deposit (LTD) ratio is reasonable given MNB’s size, financial condition, and the credit needs of the AA. The quarterly average LTD ratio since the last CRA examination is 40 percent. The LTD ratio ranged between 31 percent and 43 percent for the evaluation period. The average quarterly LTD ratio over the same period for MNB’s competitors was 59 percent, with LTD ratios ranging from 49 percent to 72 percent.

MNB’s LTD ratio is reasonable, despite having a quarterly LTD average below the level of competing institutions. MNB’s average quarterly LTD ratio has historically been below the peer average. MNB’s LTD ratio is reasonable when considering the strong competition within the AA market, which limits lending opportunities. MNB competes with bigger, multi-branch community banks in its market that have a larger market presence and capacity to lend.

### Lending in Assessment Area

MNB originated a substantial majority of the agricultural loans inside the AA. Examiners selected a sample of 20 agricultural loans made during 2015 and 2016, and 20 agricultural loans originated in 2017 to assess management’s lending performance in MNB’s AA. Based on our selected sample, MNB originated 88 percent of the loans by number and 87 percent of the loans by dollar volume within the AA.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	35	88	5	12	40	3065835	87	465000	13	3530835
<b>Total</b>	35	88	5	12	40	3065835	87	465000	13	3530835

*Source: Evaluation Period: 1/1/2015 - 12/31/2016 Bank Data  
Due to rounding, totals may not equal 100.0*

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

MNB's lending performance reflects excellent penetration among borrowers of different incomes and businesses of different sizes. The loan sample from 2015 and 2016 reflects that 90 percent of the number of loans were granted to farms with gross revenues less than or equal to \$1 million. This is lower than demographics of 99.7 percent, but exceeds aggregate data. Thirteen, or 65 percent of the loans in the sample were made to farms with gross annual revenues below \$250 thousand. Additionally, eight, or 40 percent of the loans in the sample were made to farms with gross annual revenues of less than \$100 thousand.

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 County	20	1,719	100	257	99.7	90	58.0	0.0	0	0.3	10

*Source: 2015 D&B Data; 01/01/2015 - 12/31/2015 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0*

The loan sample from 2017 reflects that 90 percent of the number of loans were granted to farms with gross revenues less than or equal to \$1 million. This is lower than demographics of 99.5 percent, but exceeds aggregate data. Nine, or 45 percent of the loans in the sample were made to farms with gross annual revenues below \$250 thousand.

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 County	20	1,879	100	211	99.5	90	58.8	0.0	0	0.5	10

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0*

## Geographic Distribution of Loans

Examiners did not complete an analysis of the geographic distribution of loans. The AA does not contain any low- or moderate-income tracts.

## Responses to Complaints

MNB did not receive any consumer complaints relating to CRA during the evaluation period.

## Appendix A: Scope of Examination

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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 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”).

<b>Time Period Reviewed</b>	Lending Test: (1/1/2015 to 12/31/2017)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The Marion National Bank (MNB) Marion, KS		Agricultural loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Marion County, KS	Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Marion County, Kansas

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	12,660	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,980	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,237	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	826	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	917	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	743	0.0	0.0	100.0	0.0	0.0
Farms by Geography	193	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,658	12.6	20.5	24.1	42.8	0.0
Household Distribution by Income Level	5,063	18.6	17.3	19.1	45.0	0.0
Median Family Income Non-MSAs - KS		\$52,419	Median Housing Value			\$79,435
			Median Gross Rent			\$500
			Families Below Poverty Level			5.4%

*Source: 2010 U.S. Census and 2016 D&B Data*  
*Due to rounding, totals may not equal 100.0*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

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	718	0.0	0.0	100.0	0.0	0.0
Farms by Geography	208	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	22.0	18.0	17.5	42.5	0.0
Median Family Income Non-MSAs - KS		\$56,877	Median Housing Value			\$80,598
			Median Gross Rent			\$560
			Families Below Poverty Level			8.1%

*Source: 2015 ACS Census and 2017 D&B Data*  
*Due to rounding, totals may not equal 100.0*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

MNB's AA consists of all of Marion County, Kansas. Marion County is not a Metropolitan Statistical Area (MSA). 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.

The 2017 ACS U.S. Census data for Marion County reflects a population of 12,290, and a median income of \$56,877. Demographic information reflects that 17 percent of families are low-income, 18 percent are moderate-income, 24 percent are middle-income, and 41 percent are upper-income. Of the 4,808 households in the AA, 40 percent receive social security, 19 percent are retired, 12 percent have income below the poverty level, and one percent receive public assistance. Thirty-eight percent (38%) of the population comprises civilians not in the work force, while 22 percent of the population is over the age of 65. The median housing value is \$80,598, and 64 percent of the housing units are owner-occupied.

According to the Federal Deposit Insurance Corporation's most recent deposit market share report dated June 30, 2017, MNB ranks fifth out of nine institutions in deposit market share with seven percent of deposits inside the AA. CNB, TSB, EB, and VBK all have a greater market share of deposits inside the AA, with 32 percent, 15 percent, 15 percent, and nine percent, respectively. CNB and TSB both have two offices inside the AA, while EB and VBK each have one office within the AA. The Hillsboro State Bank (HSB) is similar to MNB in that their lone office is located within the AA, while also having a seven percent market share of the AA deposits. Strong competition within the AA limits MNB's lending opportunities. MNB competes with bigger, multi-branch community banks within the market, which have a larger market presence and capacity to lend.

Agricultural production drives the Marion County economy. The area has a stable economic environment. The 2018 crop stocks for the area were suppressed due to an early summer drought. Late summer rains have contributed to the stability of yield expectations for fall crops, as production figures are estimated to be average. Major employers in the area include area school districts, Marion County, St. Luke Hospital, city municipalities, Marion Die & Fixture, Prairieland Partners, and Western Associates, Inc. The Bureau of Labor Statistics reflects an August 31, 2018, unemployment rate (not seasonally adjusted) for Marion County of 3.4 percent. The unadjusted rate in Kansas and nationwide for the same period was 3.5 percent and 3.9 percent, respectively.

As part of this evaluation, examiners use community contacts to assess the credit needs and opportunities in the AA. The contact indicated that all local banks within Marion County are good community partners. The contact noted that she has not heard any complaints relating to any of the Marion County banks. The contact identified agricultural loans as the primary need, along with additional need in small business and residential lending. The contact indicated that area banks are satisfactorily meeting the credit needs of the local market.