



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 14, 2009**

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

Mason City National Bank  
Charter Number 14492

104 West Pine Street  
Mason City, IL 62664-1047

Office of the Comptroller of the Currency

NO CENTRAL ILLINOIS & EASTERN Field Office  
111 West Washington Street Suite 300  
East Peoria, IL. 61611-2532

**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**

### **Mason City Nation Bank (MCNB) is rated satisfactory.**

The major factors that support MCNB's rating include:

- MCNB's quarterly average loan-to-deposit ratio of 54 percent over the evaluation period is reasonable, given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the loans originated by MCNB are to customers from within its AA.
- MCNB's distribution of loans to businesses and farms of different sizes is excellent.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses MCNB's record of meeting the credit needs of the communities in which it operates. We evaluated MCNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities.

- The evaluation period covers loans originated or purchased from February 16, 2004, through September 14, 2009.
- MCNB has one AA generating a majority of the bank's loans and deposits. The Logan/Mason County AA will receive a full-scope review. The lending test is based on MCNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on agricultural and commercial loans originated or purchased January 1, 2007, through August 31, 2009 utilizing 2000 census data.
- MCNB is not required to maintain revenue information on agricultural or commercial loans outside of the individual credit files. Thus, we reviewed a sample of 30 agricultural and 27 commercial loans originated during the lending test period to assess the lending to farms and businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

MCNB is a community bank with reported total assets of \$63 million as of June 30, 2009. MCNB is wholly-owned by Mason City Bancorp, Inc., a one-bank holding company located in Mason City, Illinois. As of June 30, 2008, the Mason City Bancorp, Inc had total assets of \$63 million. The holding company does not negatively impact the bank's ability to meet the credit needs of the community.

MCNB operates one main office equipped with one depository ATM in Mason City,

Illinois. Since the prior CRA examination, MCNB has not opened or closed any branches.

Customers may also access their accounts through the Internet. Internet banking services include transfers between MCNB accounts, review of account balances or transactions, accessing loan account information, and on-line bill-paying capability through the Internet banking product. MCNB also offers debit cards, providing customers with additional access to their accounts at point of sale and ATM locations.

MCNB offers a full range of retail and commercial banking products normally associated with a community bank. MCNB has two primary lending products: agricultural and commercial. Agricultural and commercial lending account for 74 percent of the amount of all loan originations during the evaluation period. Consumer and residential real estate lending are not primary loan products, accounting for 26 percent of the amount of loan originations during the evaluation period.

<b>Loan Originations by Loan Type from January 1, 2007 through August 31, 2009</b>				
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Agricultural Loans	\$ 20,653	46%	206	16%
Commercial Loans	\$ 12,659	28%	120	9%
Residential Real Estate	\$ 6,857	15%	133	11%
Consumer Loans	\$ 4,697	11%	818	64%
<b>Total Originations</b>	<b>\$ 44,866</b>	<b>100%</b>	<b>1,277</b>	<b>100%</b>

*Source: Bank Records January 1, 2007- August 31, 2009*

As of June 30, 2009, the bank reported \$27 million in outstanding loans and had a net loans and leases to total assets ratio of 43 percent. There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its AA. As of June 30, 2009 the bank reported \$10 million of Tier 1 capital. The bank's previous CRA rating as of February 16, 2004 was Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

MCNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. MCNB has one AA, generating a majority of the bank's loans and deposits. The Logan/Mason County AA will receive a full-scope review. The AA has not significantly changed since the last examination.

### **Logan/Mason County AA**

The Logan/Mason County AA consists of five CTs, which are not part of an MSA. The 2000 U.S. Census data shows this AA does not contain any low- or moderate income CTs. The AA contains four CT designated as middle-income and one CT designated as upper-income.

The following is demographic information for the assessment area:

<b>Demographic Information for the Logan/Mason County Assessment Area</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	5	0%	0%	80%	20%
Population by Geography	15,752	0%	0%	67%	33%
Owner-Occupied Housing by Geography	3,994	0%	0%	80%	20%
Businesses by Geography	789	0%	0%	77%	23%
Farms by Geography	289	0%	0%	69%	31%
Family Distribution by Census Tract	3,842	0%	0%	79%	21%
Family Distribution by Income Level	3,842	14%	17%	25%	44%
Household Distribution by Income Level	5,172	16%	16%	20%	48%
Median Family Income	\$47,962	Median Housing Value			\$69,177
Median Household Income	\$40,759	Median Year Built			1952
HUD Adjusted Median Family Income for the MSA	\$54,400	Average Monthly Gross Rent			\$ 437
Families Below the Poverty Level	6%	Households Below the Poverty Level			8%

Source: 2000 U.S. Census Data

### **Economic Data**

The local economy shows a slight decline. The July 2009 unemployment rate for Logan County compares favorably to the national average of 9.7 percent and the State of Illinois average of 10.5 percent. The July 2009 unemployment rates for each county are: 9.2 percent Logan and 13.5 percent for Mason. The economy of the AA is concentrated in agriculture, manufacturing and services. Many individuals in the AA work in the nearby cities of Lincoln, Peoria and Springfield. Major employers in the area include: Caterpillar Inc., State of Illinois, Eaton Corporation, Precision Equipment and local school districts.

We contacted a local public official in Mason City during the examination. The contact believes the local economy is fairing well in a turbulent economic environment. The



Agricultural	26	87%	4	13%	30	\$ 2,443	88%	\$ 319	12%	\$ 2,762
Commercial	25	93%	2	7%	27	\$ 1,177	84%	\$ 220	16%	\$ 1,397
Total	51	89%	6	11%	57	\$ 3,620	87%	\$ 539	13%	\$ 4,159

Source: Bank records on new loans originated in January 1, 2007- August 31, 2009.

## LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES

### Agricultural Loans

The distribution of loans to farms reflects excellent penetration among small farms. Based on the number of agricultural loan originations from our sample, one hundred percent of the loans in the AA were originated to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows ninety-nine percent of the farms in the AA reported annual gross revenues equal to or less than one million dollars.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA:

<b>Borrower Distribution of Loans to Farms of Different Sizes in the AA</b>					
Farm Revenues	Number of Loans		% Farms in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	26	100%	99%	\$ 2,443	100%
>\$1,000,000	0	0%	0%	\$ 0	0%
Total	26	100%	99%	\$ 2,443	100%

Source: Bank records on new loans originated January 1, 2007 – August 31, 2009; 2000 Census Data.

\*\* 1 percent of AA farms did not report revenue data.

### Commercial Loans

The distribution of loans to businesses, given the demographics of the AAs, reflects excellent penetration among businesses of different sizes. Based on the number of commercial loan originations from our sample, one-hundred percent of the loans in the

AA were originated to small businesses. Small businesses are businesses with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows fifty-three percent of the businesses in the AA reported annual gross revenues equal to or less than one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA:

<b>Borrower Distribution of Loans to Businesses of Different Sizes in the AA</b>					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	25	100%	53%	\$ 1,177	100%
>\$1,000,000	0	0%	4%	\$ 0	0%
Total	25	100%	57%	\$ 1,177	100%

Source: Bank records on new loans originated January 1, 2007 - August 31, 2009; 2000 Census Data.

\*\* 43 percent of AA businesses did not report revenue data.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

A geographic distribution of loans was not performed at this examination. All the geographies are middle- or upper-income, thus, the analysis would not be meaningful.

## **RESPONSES TO COMPLAINTS**

MCNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## **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.