



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 16, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mason City National Bank
Charter Number 14492**

**104 West Pine Street
Mason City, IL 62664**

**Comptroller of the Currency
Peoria Field Office
111 West Washington Street Suite 300
East Peoria, IL 61611**

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.

- Mason City National Bank's ("MCNB") record of lending to borrowers of different income levels regarding home purchases and to refinance their personal residences is good. MCNB's lending to moderate-income people for home purchases and home refinancing exceeds the percentage of moderate-income families in the Assessment Area ("AA"). MCNB's lending to low-income people to purchase and refinance their personal residence is below the percentage of low-income families in the AA, however this is still considered good as ten percent of the households in the AA are below the poverty level.
- MCNB's lending to farms of different sizes is good. Sixty percent of all the agricultural credits originated during the evaluation period were for \$50,000 or less. In terms of dollar volume, forty-five percent of the total dollars were originated in loans of \$100,000 or less.
- A majority of the loans originated by MCNB are to customers from within its AA. MCNB's lending to customer's within the AA for all loan types is reasonable.
- The bank's average net loan-to-deposit ratio over the last five years is reasonable.

DESCRIPTION OF INSTITUTION

MCNB is a \$60 million intrastate financial institution located at the intersection of Illinois Highways 29 and 10 in Mason County, between Peoria and Springfield. MCNB has one office in downtown Mason City, with drive-up facilities and an ATM. The bank is a wholly owned subsidiary of Mason City Bancorp, Inc., a one-bank holding company.

MCNB has two primary lending products, residential real estate, and agricultural loans. These two areas of lending account for 78 percent of all loan originations during 2001 and 2002 and make up 83 percent of the outstanding loan balances as December 31, 2003. Thus, these two products were used for the analysis of this evaluation. Commercial and consumer loans are not primary loan products as they only account for 22 percent of all loan originations during 2001 and 2002 and make up the remaining 17 percent of the outstanding loan balances as of December 31, 2003.

Table 1 – Loan Originations by Loan Type for 2001 & 2002		
Loan Category	\$ (000)	%
Agricultural Loans	\$ 9,881	40%
Residential Loans	\$ 9,579	38%
Consumer Loans	\$ 3,182	13%
Commercial Loans	\$ 2,205	9%
Total	\$24,847	100%

Source: Bank Records from 2001 and 2002

As of December 31, 2003, the bank reported \$29 million in outstanding loans and had a net loans and leases to total assets ratio of 49 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type December 31, 2003		
Loan Category	\$(000)	%
Residential Loans	\$ 13,111	45%
Agricultural Loans	\$ 11,132	38%
Commercial Loans	\$ 2,938	10%
Consumer Loans	\$ 2,103	7%
Total	\$ 29,284	100%

Source: Call Report 12/31/2003

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 its community. Tier 1 capital was reported at \$8.6 million as December 31, 2003. The bank's previous CRA rating as of July 1999 was Satisfactory.

SCOPE OF THE EVALUATION

- The evaluation period covers loans originated during 2001 and 2002, utilizing 1990 census data for evaluating residential loans.
- MCNB has two assessment areas. A majority of the bank's loans and deposits are generated from the Logan/Mason County AA. The Logan/Mason County AA received a full-scope review. A limited review was performed for the Menard County AA.

DESCRIPTION OF ASSESSMENT AREAS

MCNB's Logan/Mason and Menard County AAs remain unchanged from the prior examination. The AAs consist of three Block Numbering Areas "BNAs" in Mason County, two BNAs in Logan County, and one Census Tract "CT" in Menard County of the Springfield Metropolitan Statistical Area "MSA". There are two assessment areas because Mason and Logan counties are not a part of the Springfield MSA.

Logan/Mason County AA

The Logan/Mason County AA is comprised of five contiguous BNAs; #9530 and #9535 in Logan County and #9563, #9567, and #9568 in Mason County. These BNAs are located in the western half of Logan County and in the eastern half of Mason County. All five BNAs are designated middle-income and includes Mason City. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the assessment area is based on census data:

Table 3 – Demographic Information for Logan/Mason County AA		
Category of Information	Number	Percentage
Population:	15,146	
Total Housing Units	5,481	
Occupancy: Owner Occupied Units	3,736	68%
Renter Occupied Units	1,348	25%
Vacant Units	397	7%
Median Home Value	\$39,271	
Median Year Built	1948	
2002 HUD Adjusted Median Family Income for Illinois Non-MSA	\$46,700	
Low Income Families	686	17%
Moderate Income Families	715	18%
Middle Income Families	929	24%
Upper Income Families	1,611	41%
Households living below the poverty level	563	10%
Small Farms	345	97%
Small Businesses	450	78%

Source: 1990 Census Data

Menard County AA

The Menard County AA is comprised of one CT, #101. This CT is located in the eastern half of Menard County, adjacent to Mason County to the north. The CT is middle-income. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. The following demographic information for the assessment area is based on census data:

Table 6 – Demographic Information for Menard County AA		
Category of Information	Number	Percentage
Population:	4,939	
Total Housing Units	1,950	
Occupancy: Owner Occupied Units	1,374	71%
Renter Occupied Units	415	21%
Vacant Units	161	8%
Median Home Value	\$51,400	
Median Year Built	1961	
2002 HUD Adjusted Median Family Income for Springfield MSA	\$56,000	
Low Income Families	302	21%
Moderate Income Families	290	20%
Middle Income Families	374	26%
Upper Income Families	474	33%
Households living below the poverty level	180	10%
Small Farms	68	93%
Small Businesses	153	81%

Source: 1990 Census Data

Economic Data

The local economy is considered stable. The December 2003 unemployment rate for Mason County of 8.3% and Logan County of 6.8% is above the 5.4% national average and the 6.3% State of Illinois rate. Meanwhile, the unemployment rate for Menard County of 5.0% compares favorably to the national and state levels. The economy of the AA includes agricultural and manufacturing industries. Many individuals in the AA work in the nearby cities of Lincoln, Peoria, and Springfield. Major employers include; Caterpillar Inc., State of Illinois, Eaton Corporation, Precision Equipment, and the local school districts.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

The distribution of loans reflects satisfactory penetration among individuals of different income levels (including low-, and moderate-income) and businesses and farms of different sizes.

A substantial majority of MCNB’s business is generated from the Logan/Mason County AA, where the bank is located. While the following findings are for the Logan/Mason County AA, the information provided to us shows that the findings from an analysis of the Menard County AA would not be inconsistent with the findings for the Logan/Mason County AA.

Residential Real Estate Loans

MCNB's lending to borrowers of different income levels regarding home purchases and the refinancing of their personal residence is good. Based on our sample, the lending to moderate-income people for home purchases and home refinancing exceeds the percentage of moderate-income families in the AA. While the lending to low-income people to purchase and refinance their personal residence is below the percentage of low-income families in the AA, this is still considered good because ten percent of the households in the AA are below the poverty level.

Since the bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, the type of residential loan (purchase or refinance) and the income data on residential home loan borrowers is not maintained outside of the individual mortgage files. Thus, a sample of sixty-one home loans found twenty home purchase and forty-one home refinances. Bank personnel confirmed a majority of all residential lending during the examination period was for home refinancing. The volume of home improvement loans was not sufficient to perform a valid analysis.

Table 9 – Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Home Refinance	2%	17%	22%	18%	32%	23%	44%	42%
Home Purchase	15%	17%	45%	18%	25%	23%	15%	42%
Total	7%	17%	30%	18%	29%	23%	34%	42%

Source: 1990 Census data and bank records on residential real estate loans originated in 2001 and in 2002.

Agricultural Loans

MCNB's lending to farms of different sizes is reasonable. In assessing the lending performance to farms of different sizes, the amount of each credit was utilized as a proxy to the collection of farm revenue information. As listed in the following table, 60% of all the agricultural credits originated during the evaluation period were for \$50,000 or less. In terms of dollar volume, 45% of the total dollars were originated in loans of \$100,000 or less. All of the agricultural loans originated during 2001 and 2002 are included in the following table.

Table 5 – Borrower Distribution of Loans to Farms by Loan Size

Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans \$(000)	Percent of Dollar Volume
\$ 0 - \$ 25,000	58	46%	\$ 745	9%
\$ 25,001 - \$ 50,000	18	14%	\$ 652	8%
\$ 50,001 - \$100,000	29	23%	\$ 2,253	28%
\$100,001 - \$200,000	14	11%	\$ 2,185	27%
Over \$200,000	8	6%	\$ 2,210	28%

Source: Bank records, loan originations for 2001 and 2002.

Lending in Assessment Area

A majority of the loans originated by MCNB are to customers from within its AA. MCNB's lending to customer's within the AA for all loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Table 6 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	141	89%	17	11%	158	\$ 9,240	94%	\$ 641	6%	\$ 9,881
Residential	152	85%	26	15%	178	\$ 7,507	78%	\$ 2,072	22%	\$ 9,579
Retail/Consumer	420	79%	112	21%	532	\$ 2,328	73%	\$ 854	27%	\$ 3,182
Commercial	341	86%	55	14%	396	\$ 1,779	81%	\$ 426	19%	\$ 2,205
Totals	1,054	83%	210	17%	1,264	\$20,854	84%	\$ 3,993	16%	\$24,847

Source: Bank records on new loans originated in 2001 and 2002. All of the loan originations in 2001 and in 2002 were used to calculate the ratios listed in the Table.

Loan-to-Deposit Ratio

MCNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. MCNB's quarterly average loan-to-deposit ratio for the period April 1, 1999, to December 31, 2003, was sixty percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located within the AA, ranges from sixty-three percent to seventy percent. MCNB's average loan-to-deposit ratio is slightly lower than the other two similarly situated banks within the AA, which range in asset size from \$55 million to \$63 million. The similarly situated banks utilized for comparison purposes are both community banks located in Mason and Menard counties.

Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. All the geographies are middle-income, 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 illegal discrimination or other illegal credit practices.