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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

May 20, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mason City National Bank  
Charter No. 14492

104 W. Pine Street  
Mason City, IL 62664

Office of the Comptroller of the Currency  
440 South LaSalle St., Suite 2700  
Chicago, IL 60605

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 Mason City National Bank (MCNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 31, 1995. This evaluation is based on information from the last CRA examination dated September 30, 1993 to the current examination dated December 31, 1995. 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.”

Mason City National Bank’s origination of loans within its assessment area is good. The bank’s record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable. MCNB’s record of lending to small farms and small businesses within their assessment area is good.

The following table indicates the performance level of Mason City National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	MASON CITY NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not relevant given the income level of BNAs and census tracts in the assessment area.		
Response to Complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

The Mason City National Bank is a \$51 million bank located in central Illinois between the metropolitan areas of Peoria and Springfield. MCNB has one office in downtown Mason City, a middle-income area, with a drive-up and ATM at that location. MCNB is 100% owned by Mason City Bancshares, Inc., a one-bank holding company. MCNB continues to be community oriented and predominately dependent on agriculture and related pursuits. The loan portfolio mix is as follows: real estate 61%, agricultural 20%, commercial 4%, and consumer loans 13%. The bank's financial condition and size does not limit its ability to perform under the CRA. A Satisfactory rating was received during the September 30, 1993 CRA examination.

## DESCRIPTION OF ASSESSMENT AREA: BLOCK NUMBERING AREAS (BNAs) #9563, 9567, AND 9568 IN MASON COUNTY, BNAs #9530 AND 9535 IN LOGAN COUNTY, CENSUS TRACT (CT) #101 IN MENARD COUNTY, AND CT #219 IN TAZEWELL COUNTY

The bank's assessment area consists of five BNAs in Mason and Logan counties, one census tract in the north eastern part of Menard county, and one census tract in the southern portion of Tazewell county. All the BNAs and census tracts are middle-income areas. This assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

According to 1990 statistics, the total population of the bank's assessment area is 24,813. For 1996, the statewide non-MSA median family income is \$36,000. The assessment area consists of part of the Springfield Metropolitan Statistical Area (MSA) and Peoria MSA which have median family incomes of \$36,406 and \$37,373. Within the assessment area, 18.09% of the households are low-income, 19.43% are moderate-income, 24.49% are middle-income, and 37.98% are upper-income.

The local economy has remained relatively stable. Mason City is considered a bedroom community as many individuals are employed in Lincoln, Peoria, and Springfield. Major employers include Caterpillar, State of Illinois, and Eaton Corporation. The downtown area is typical of small towns as many downtown stores have closed with no new business prospects in the future. Demand for new construction is low due to the higher real estate taxes assessed on newly constructed homes. The unemployment rate for the assessment area is low at 2%. The market for financial services is moderately competitive. There are eleven similarly situated institutions in the bank's assessment area. However, primary competition is provided by banks in larger surrounding areas such as Lincoln, Springfield, and Havana.

We did not make any community contacts during this evaluation as another regulatory agency made a contact with a local realtor within the past year. This contact felt that there is a shortage of lower-priced homes and rental properties. There are 9,253 total housing units in the assessment area of which 6,450 (69%) are owner-occupied, 2,125 (22%) are rental-occupied, and 678 (7%) are vacant units. The median age of the homes in the assessment area is 45 years while the median housing price is \$39,800. Management perceives major credit needs in its assessment area to be small farm, residential real estate, and consumer loans.

#### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

##### LOAN-TO-DEPOSIT RATIO:

The bank's loan-to-deposit ratio is satisfactory compared to other local banks in the assessment area and based on the community's credit needs.

- MCNB's eleven quarter average loan-to-deposit ratio is 55.84% as of March 31, 1996. This compares favorably with the average loan-to-deposit ratio of 54.23% for banks with total assets of less than \$100 million in Mason, Logan, Menard, and Tazewell counties.
- The bank's large volume of residential mortgages under \$25,000 and consumer loans less than \$2,500 contributes to the lower loan-to-deposit ratio. In the last two years, 37 residential real estate loans under \$25,000 were originated which totaled \$632,102. Additionally, 605 small dollar consumer loans were originated for a total of \$5,828,880.

##### LENDING IN ASSESSMENT AREA:

The bank's origination of loans within the assessment area is good as detailed in the following chart. Originations within the assessment area totaled 91% of the dollar volume of loans and 86% of the number of loans. Our analysis included all residential real estate, instalment, small farm, and small business loans originated during 1994 and 1995.

MASON CITY NATIONAL BANK  
RECORD OF RESIDENTIAL REAL ESTATE, INSTALMENT,  
SMALL BUSINESS, AND SMALL FARM LENDING

1994 AND 1995	WITHIN AA	PERCENT IN AA	OUTSIDE AA	PERCENT OUTSIDE AA
RESIDENTIAL REAL ESTATE	\$3,157,952	85.53%	\$532,282	14.47%
	90	90.00%	10	10.00%
INSTALMENT	\$5,520,849	86.97%	\$827,156	13.03%
	1032	83.43%	205	16.57%
SMALL BUSINESS	\$2,588,161	91.03%	\$255,036	8.97%
	133	86.36%	21	13.64%
SMALL FARM	\$9,987,717	96.24%	\$390,000	3.76%
	278	95.53%	13	4.47%
TOTAL	\$21,254,679	91.37%	\$2,006,474	8.63%
	1533	86.03%	249	13.97%

- Small farm and small business loans are based on farms and businesses with annual revenues less than \$1 million.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of lending reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. All loans originated in 1994 and 1995 were sampled, however, the income level of six borrowers could not be determined. Following is the distribution of 84 residential real estate loans originated among borrowers of different income levels within the assessment area:

DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS  
AMONG BORROWERS OF DIFFERENT INCOME LEVELS

1994 AND 1995	# OF LOANS	PERCENT	\$ OF LOANS	PERCENT
LOW-INCOME	7	8.33%	\$179,509	5.92%
MODERATE-INCOME	17	20.24%	\$454,237	14.98%
MIDDLE-INCOME	25	29.76%	\$894,300	29.48%
HIGH-INCOME	35	41.67%	\$1,505,027	49.62%

A large volume of small dollar business and farm loans were originated. In the last two years, 92% of the small business loan portfolio was originated for under \$35,000. In addition, 93% of the small agricultural loan portfolio was originated for under \$100,000.

GEOGRAPHIC DISTRIBUTION OF LOANS:

We did not perform an analysis of the geographic distribution of loans since all BNAs and census tracts making up the bank's assessment area are designated as middle-income areas.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

The bank is in substantial compliance with antidiscrimination laws and regulations. No evidence of illegal credit practices were noted during the examination.