



PUBLIC DISCLOSURE

March 30, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mason City National Bank
Charter Number: 14492

104 West Pine Street
Mason City, Illinois 62664

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, Illinois 61602

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 Outstanding

The Lending Test is rated: **Outstanding**

The major factors that support Mason City National Bank's rating include:

- A substantial majority of loans made to customers are within the assessment area (AA).
- The distribution of loans to borrowers of different income levels and to farms of different sizes reflects excellent penetration.
- The geographic distribution of loans reflects excellent dispersion.
- The quarterly average loan-to-deposit (LTD) ratio over the evaluation period is reasonable.

SCOPE OF EXAMINATION

This Community Reinvestment Act Performance Evaluation (CRA PE) assesses Mason City National Bank's (MCNB's or bank's) ability of meeting the credit needs of the communities in which it operates. We evaluated MCNB using the Small Bank performance criterion, which includes a lending test. The lending test evaluates the bank's ability to meet the credit needs of its AA through its lending activities.

The evaluation period covers the period between the date of the prior CRA PE of September 14, 2009, and March 30, 2015. The rating of the previous CRA PE was Satisfactory.

We based the lending test on the primary loan products for the AA, utilizing the dollar volume of loan originations from January 1, 2013, through December 31, 2014. We based our conclusions regarding the lending performance on the agriculture and residential real estate (residential) loans originated from January 1, 2013, through December 31, 2014, utilizing 2010 U.S. Census data.

We obtained and reviewed a random sample of agriculture and residential loans originated during the evaluation period. We obtained the income of borrowers and revenues of farms, as well as geocoding data for each individual loan in our sample.

DESCRIPTION OF INSTITUTION

Mason City National Bank is a community bank with assets of \$75 million and headquartered in Mason City, Illinois. MCNB has one office with a drive up facility and ATM located in a moderate-income census tract (CT). There were no branch closures or openings during the CRA evaluation period. MCNB's strategy is to serve its community by offering lending options for agriculture, consumer, commercial, and residential needs.

MCNB originated 678 loans totaling \$27 million from January 1, 2013 through December 31, 2014. MCNB's primary products are agriculture and residential loans. These products accounted for 86 percent of the dollar value of originations.

The loan portfolio consists of the following:

Table 1 – Loan Portfolio Summary by Loan Type as of December 31, 2014		
Loan Category	\$(000)	%
Agriculture Loans	\$11,574	45%
Residential Loans	\$7,727	30%
Commercial Loans	\$5,258	20%
Consumer Loans	\$1,213	5%
Total Loans	\$25,772	100%

Source: December 31, 2014 Call Report

MCNB is a wholly owned subsidiary of Mason City Bancorp, Inc., a single bank holding company with total assets of \$75 million as of December 30, 2014. Mason City Bancorp, Inc. does not negatively affect MCNB's ability to meet the credit needs of the community.

There are no legal or financial circumstances that impede MCNB's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

MCNB's AA includes four CTs across two counties. Two CTs are located in Mason County, and primarily cover Mason City and the surrounding rural areas. The remaining two CTs are in Logan County covering the western portion of the county, which is primarily rural. There are no low-income CTs in the AA. There is one moderate-income CT in the AA that encompasses Mason City, Illinois. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CTs.

Competition among financial institutions in the AA is strong due to the quantity of banks located in and around the AA. The AA is in close proximity to the larger markets of Lincoln, Peoria, and Springfield, Illinois. MCNB competes for loan and deposit customers with credit unions, state and national banks, and other entities targeting agriculture and residential lending. MCNB held a 6.55 percent market share among 19 FDIC insured financial institutions in Mason and Logan Counties.

Primary employment sectors for the AA and surrounding areas include agriculture, manufacturing, and service industries. The unemployment rates for Mason and Logan Counties have improved from 10.1 percent and 7.8 percent, respectively, at December 31, 2013 to 7.1 percent and 5.9 percent, respectively, at December 31, 2014, yet both continue to compare unfavorably to the State of Illinois unemployment rate of 5.8 percent at December 31, 2014.

We contacted a public official in Mason City, Illinois. The contact concluded that the current economic condition of Mason City is good. She did not identify any low- or moderate-income areas that are in need of banking services nor any opportunities in which MCNB is not already involved. She commented that MCNB has a positive perception within the community.

Table 2 - Demographic Information for Assessment Area						
		Low	Moderate	Middle	Upper	NA
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts)	4	0	25	25	50	0
Population by Geography	12,449	0	19	15	66	0.00
Owner-Occupied Housing by Geography	3,056	0	26	23	51	0.00
Business by Geography	494	0	25	23	52	0.00
Farms by Geography	239	0	7	25	68	0.00
Family Distribution by Income Level	2,715	14	21	20	45	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	957	0.00	36	21	43	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2014		\$54,499 \$58,600	Median Housing Value		\$88,602	
Poverty Rate: Households Below Poverty Level Families Below Poverty Level		9.4% 8.1%	Unemployment Rate: Mason County Logan County		7.1% 5.9%	

Source: 2010 US Census and 2014 FFIEC updated MFI; Unemployment Information from Bureau of Labor Statistics, December 31, 2014.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

MCNB exceeds the standard for Satisfactory performance.

Loan-to-Deposit Ratio

MCNB's average LTD is reasonable given the size, financial condition, and lending opportunities available in the AA. MCNB's quarterly LTD ratio averaged 44 percent over twenty-two quarters from September 30, 2009, to December 31, 2014, with a low of 36 percent, and a high of 52 percent. MCNB's average LTD ranks seventh out of nine similarly situated institutions. The similarly situated financial institutions, which range from \$17 million to \$61 million, are community institutions located in Mason and Logan Counties. The similarly situated institutions had an overall average LTD of 56 percent, with an average low of 25 percent and an average high of 85 percent.

Lending in Assessment Area

MCNB originated a substantial majority of loans to customers within its AA during the evaluation period, both by number and dollar volume.

Table 3 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	22	96%	1	4%	23	\$2,532	99%	\$13	1%	\$2,545
Residential	22	88%	3	12%	25	\$872	97%	\$24	3%	\$896
Totals	44	92%	4	8%	48	\$3,404	99%	\$37	1%	\$3,441

Source: In/Out Loan Sample.

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

Lending to borrowers of different incomes and farms of different sizes reflects excellent penetration, given the demographics of the bank's AA.

Residential

The distribution of loans reflects excellent penetration to borrowers of different income levels. Lending to low-income borrowers reflects reasonable penetration considering that eight percent of families are below the poverty level. Lending to moderate-income borrowers reflects excellent penetration as MCNB's performance significantly exceeds the standard. Performance under this criterion is excellent.

Table 4 - Borrower Distribution of Residential Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Loans	14%	10%	21%	40%	20%	25%	45%	25%

Source: Residential Loan Sample and 2010 U.S. Census Data.

Agriculture

The distribution of loans to small farms reflects excellent penetration among farms of different sizes.

Table 5 - Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99%	0.5%	0.5%	100%
% of Bank Loans in AA by #	100%	0.00%	0%	100%
% of Bank Loans in AA by \$	100%	0.00%	0%	100%

Source: Agriculture Loan Sample and 2014 Business Geodemographic Data.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion among CTs in the bank’s AA.

Residential

The geographic distribution of residential loans reflects excellent dispersion to borrowers of different income levels. There are no low-income CTs in the AA. Lending to borrowers in moderate-income CTs reflects excellent dispersion as MCNB's performance significantly exceeds the standard. Performance under this criterion is excellent.

Table 6 - Geographic Distribution of Residential Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Loans	0%	0%	26%	80%	23%	20%	51%	0.00%

Source: Residential Loan Sample and 2010 U.S. Census Data.

Agriculture

The geographic distribution of loans to farms reflects excellent dispersion. There are no low-income CTs in the AA. Lending to farms in moderate-income CTs reflects excellent dispersion as MCNB's performance significantly exceeds the standard. Performance under this criterion is excellent.

Table 7 - Geographic Distribution of Loans to Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0%	0%	7%	14%	25%	81%	68%	5%

Source: Agriculture Loan Sample and 2014 Business Geodemographic Data.

Responses to Complaints

MCNB did not receive any complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.