



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

December 03, 2007

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

**The Peshtigo National Bank  
Charter Number: 5658**

**250 French Street  
Peshtigo, WI 54157**

**Office of the Comptroller of the Currency**

**Milwaukee Field Office  
1200 North Mayfair Road Suite 200  
Wauwatosa, WI 53226**

**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.**

Major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas (AA).
- A substantial majority of loan originations are made within the bank's AAs.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- Geographic distribution of home mortgage loans as well as business and farm loans is excellent.

## **SCOPE OF EXAMINATION**

The Peshtigo National Bank's (PNB) Community Reinvestment Act (CRA) performance was evaluated under the Small Bank Lending Tests. Data from PNB's primary loan products, small business loans, farm loans, and home mortgage loans (including purchases and refinances) was used to evaluate the bank's lending performance.

The evaluation covered the period from the date of the previous CRA examination, October 22, 2001 through December 3, 2007. The Lending Test evaluated small business, agricultural and home mortgage loans from January 1, 2006 to November 12, 2007. Prior to conducting this evaluation, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2006 and 2007 was tested. The data was found to be substantially accurate and therefore all reported HMDA data for both years was used in evaluating home mortgage lending. To evaluate small business and farm lending, data from both the bank's loan trial balance as well as random samples of business and farm loans from each of the bank's two assessment areas (AA) were used.

Both of PNB's assessment areas were selected for full scope review and the most recent available demographic data was used in our Lending Test evaluation.

## **DESCRIPTION OF INSTITUTION**

PNB is a \$135 million bank with its main office located in downtown Peshtigo, Wisconsin approximately 46 miles north of Green Bay, Wisconsin. The bank operates three full-service branches located the towns of Marinette, Coleman, and Gillett, all of which are in Wisconsin. The main office and the Marinette and Coleman branches are located in middle-income Census Tracts (CT); the Gillett branch is located in a moderate-income CT. All three branches have opened since the last CRA examination in 2001. No branches or offices have closed during the same period. The bank is wholly owned by Peshtigo National Bancorporation, a one-bank holding company located in Peshtigo, Wisconsin.

Peshtigo National Bank offers traditional community bank services with a loan portfolio representing 83.85% of total assets as of September 30, 2007. The bank is primarily a residential real estate, small farm and small business lender. The bank's loan portfolio consists of 32% commercial loans, 28% farm loans, 32% residential real estate, and 8% other consumer loans by dollar volume. Tier 1 capital totaled \$10 million as of September 30, 2007. Loan growth has been substantial for the three largest loan products during the previous two years. Commercial loans have grown by 17%, farm loans by 33% and residential real estate loans by 35%.

The bank offers Farm Services Agency (FSA), and Wisconsin Housing and Economic Development Authority (WHEDA) loans. As of September 30, 2007, the bank had \$1.956 million in FSA loans and \$898,000 in WHEDA loans.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs. The previous CRA examination dated October 22, 2001 resulted in a satisfactory CRA rating.

## **DESCRIPTION OF ASSESSMENT AREAS**

Peshtigo National Bank has two assessment areas (AA), including one AA in a Metropolitan Statistical Area (MSA). The MSA AA consists of Oconto County, which is a part of the Brown County / Green Bay MSA. The non-MSA AA includes Marinette County and Shawano County in Wisconsin and a small part of Menominee County in Michigan. The combined AA consists of 26 Census Tracts (CT); 0 low-income tracts, 4 moderate-income tracts, 21 middle-income tracts, and 1 upper-income tract. The AAs comply with the regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

The population of the combined AA is 92,569, based on 2000 census data. The 2000 U.S. Census estimated median family income (MFI) is \$47,932 for the MSA AA and \$42,847 for the non-MSA AA. The 2007 updated Department of Housing and Urban Development (HUD) estimated MFI is \$63,700 for the MSA AA and \$54,078 for the non-MSA AA. A breakdown of family income levels in the MSA AA shows 20% as low-income (1,805 families), 24% as moderate-income (2,191 families), 29% as middle-income (2,652 families), and 27% as upper-income (2,528 families). A breakdown of family income levels in the non-MSA AA shows 19% as low-income (3,200 families), 22% as moderate income (3,616 families), 25% as middle-income (4,198 families) and 34% as upper-income (5,621 families). 4.57% of families in the MSA AA, and 6.13% of families in the non-MSA AA have incomes below the poverty level.

The local economy is characterized as stable. Paper mills, small manufacturing companies and commercial and industrial support services make up the major employers in the area. One major employer, Badger Paper Mills, no longer operates in Peshtigo. Other employment opportunities were created, mitigating the loss of Badger Paper. Local unemployment rates in Oconto, Shawano, and Marinette Counties are somewhat higher than the Wisconsin state average, which was 4.7% in 2006. The unemployment rate in Menominee County, Michigan is similar to Marinette County, its

Wisconsin border county.

Competition from other financial institutions is strong. 22 institutions including Peshtigo National Bank serve the three Wisconsin counties the bank operates in. As of June 30, 2007, PNB had deposit market share of 7.41% which ranks sixth.

In conducting this assessment of the bank’s performance, we contacted a representative of the city of Peshtigo. The individual stated that local financial institutions are meeting the credit needs of the community. Additionally, the contact stated that Peshtigo National Bank is an enthusiastic supporter of community lending needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

PNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The average quarterly loan-to-deposit ratio from December 31, 2000 to September 30, 2007 was 69.55%. The average quarterly loan-to-deposit ratio for eight other community banks located in the assessment area was 69.10% during the same period. The similarly situated banks had total assets that ranged from \$21 million to \$237 million. PNB has the third highest amount of total assets at \$135 million. The loan-to-deposit ratios ranged from 43.77% to 88.21%, placing PNB fifth among the nine institutions. Finally, the bank’s loan-to-deposit ratio has been on an increasing trend over the last several years.

### Lending in Assessment Area

PNB originates a substantial majority of its loans to borrowers located within its combined assessment areas. A review of the bank’s primary loan products shows that 93.97% by number and 95.00% by dollar volume of loans were made to businesses, and individuals located within the bank’s assessment areas.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
RE - Home Purchase	109	93.97%	7	6.03%	116	\$8,688	92.98%	\$656	7.02%	\$9,344
RE - Home Refinance	123	97.62%	3	2.38%	126	\$10,627	98.04%	\$213	1.96%	\$10,840
Farm Loans	471	94.58%	27	5.42%	498	\$22,930	96.98%	\$715	3.02%	\$23,645
Commercial Loans	543	92.66%	43	7.34%	586	\$31,666	93.22%	\$2,302	6.78%	\$33,968
<b>Totals</b>	<b>1,246</b>	<b>93.97%</b>	<b>80</b>	<b>6.03%</b>	<b>1,326</b>	<b>\$73,911</b>	<b>95.00%</b>	<b>\$3,886</b>	<b>5.00%</b>	<b>\$77,797</b>

Source: 2006-2007 Home Mortgage Disclosure Act data and bank records (verified by examiners)

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s primary loan products, business, farm, and residential real estate mortgages, were used in the sample.

Lending to businesses with revenue of \$1 million or less is good; the bank exceeds the demographic in both AAs.

<b>Borrower Distribution of Business Loans</b>				
Gross Annual Revenue	MSA AA		non-MSA AA	
	% of bank’s loans	% of AA Businesses	% of bank’s loans	% of AA Businesses
<b>&lt;=\$1 million</b>	<b>90.91%</b>	<b>52.23%</b>	<b>85.71%</b>	<b>59.48%</b>
>\$1 million	9.09%	2.54%	14.29%	4.60%
Revenue unavailable	0.00%	45.23%	0.00%	35.92%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.00%</b>

Source: Sample of 40 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

Lending to small farms is reasonable. 100% of farm loan originations, calculated by number of loans, in our MSA AA sample were to farms with revenues of \$1 million or less. In the non-MSA AA, 85% by number were originated to farms with revenues under \$1 million. It should be noted that the other 15% of loans in the non-MSA AA sample were to one farm borrower whose revenue was over \$1 million.

<b>Borrower Distribution of Farm Loans</b>				
Gross Annual Revenue	MSA AA		Non-MSA AA	
	% of bank’s loans	% of AA Businesses	% of bank’s loans	% of AA Businesses
<b>&lt;=\$1 million</b>	<b>100%</b>	<b>98.78%</b>	<b>85%</b>	<b>98.01%</b>
>\$1 million	0%	0.30%	15%	1.20%
Revenue unavailable	0%	0.92%	0%	0.79%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.00%</b>

Source: Sample of 40 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

Home mortgage lending in the MSA AA is excellent. 43.55% of families in the AA are low- and moderate-income, while the bank originated 62.50% of its home mortgages to these borrowers. In the non-MSA AA, home mortgage lending is reasonable. 40.98% of families are low- or moderate-income, and the bank originated 43.14% of its home

mortgages to these borrowers. In the low-income borrower category, the percentage of low-income borrowers was below the demographic. However, consideration was given to the percentage of families living below the poverty level, which was 6.13% for the non-MSA AA.

<b>Borrower Distribution of Home Mortgage Loans</b>				
Borrower Income Level	MSA AA		Non-MSA AA	
	% of loans by bank AA	% of AA Families	% of loans by bank AA	% of AA Families
Low	25.00%	19.67%	13.73%	19.24%
Moderate	37.50%	23.88%	29.41%	21.74%
Middle	22.92%	28.90%	24.84%	25.24%
Upper	10.42%	27.55%	28.10	33.78%
Not available	4.16%	0%	3.92%	0%
Totals	100%	100%	100%	100%

Source: 2006-2007 Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

**Geographic Distribution of Loans**

Overall, the geographic distribution of loans reflects excellent dispersion throughout the MSA AA. Conclusions for the non-MSA AA were not meaningful because there is only one moderate-income CT in the AA (located at the far northern part of Marinette County). The moderate-income CT is not in close proximity to any of the bank’s branches, and therefore, meaningful analysis is not possible for the non-MSA AA.

The geographic distribution of business loans is good. The bank’s business lending in the MSA AA exceeds community demographics in moderate-income tracts.

<b>Geographic Distribution of Business Loans</b>				
Tract Income Level	MSA AA		non-MSA AA	
	% of business loans by bank	% of AA Businesses	% of business loans by bank	% of AA Businesses
Low	0%	0%	0%	0%
Moderate	31.82%	24.14%	0%	5.13%
Middle	68.18%	75.86%	90.48%	90.65%
Upper	0%	0%	9.52%	4.22%
Totals	100%	100%	100%	100%

Source: Sample of 40 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

The geographic distribution of farm loans in the MSA AA is excellent. 42.86% of farm loans were made in moderate-income census tracts, which compares favorably to the demographics of the AA as noted below.

<b>Geographic Distribution of Farm Loans</b>				
Tract Income Level	MSA AA		non-MSA AA	
	% of farm loans by bank	% of AA Businesses	% of farm loans by bank	% of AA Businesses
Low	0%	0%	0%	0%
Moderate	42.86%	37.08%	0%	5.58%
Middle	57.14%	62.92%	100%	90.44%
Upper	0%	0%	0%	3.98%
Totals	100%	100%	100%	100%

Source: Sample of 40 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data

The geographic distribution of home mortgage lending in the MSA AA is excellent. The bank has significantly more lending in moderate-income CTs than is represented by the percentage of owner-occupied units located in moderate-income tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>				
Tract Income Level	MSA AA		non-MSA AA	
	% of home mortgage loans by bank	% of AA owner-occupied	% of home mortgage loans by bank	% of AA owner-occupied
Low	0%	0%	0%	0%
Moderate	39.58%	26.28%	2.61%	8.13%
Middle	60.42%	73.72%	90.20%	87.03%
Upper	0%	0%	7.19%	4.84%
Totals	100%	100%	100%	100%

Source: 2006-2007 Home Mortgage Data and U.S. Census Demographic Data

### Responses to Complaints

The bank has not received any CRA-related complaints since the previous examination.

### Fair Lending or Other Illegal Credit Practices Review

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the needs of the community.