



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 5, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Stephenson National Bank & Trust
Charter Number: 4137**

**1820 Hall Avenue
Marinette, WI 54143**

**Office of the Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
Iron Mountain, MI 49801**

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.

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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 The Stephenson National Bank & Trust, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 5, 2002. 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**.

In addition, the bank's CRA performance in the State of Michigan and the State of Wisconsin is **Satisfactory**. The information contained in this performance evaluation pertains to performance in both states.

- The bank originates a majority of loans inside its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's loan-to-deposit ratio is good.
- The bank has a reasonable distribution of loans to individuals of different income levels, including low- and moderate-income levels.
- The bank has a satisfactory distribution of lending to businesses of different sizes given the demographics of the assessment area.

DESCRIPTION OF INSTITUTION:

The Stephenson National Bank & Trust (SNBT) is a \$172 million bank with the main office located in downtown Marinette, Wisconsin, a middle-income block numbering area (BNA). The bank operates a full-service branch located in Oconto, Wisconsin and a supermarket branch at Angeli's County Market in Menominee, Michigan. The bank also maintains five ATMs: two in Marinette, two in Menominee and one at the Oconto branch. The Oconto branch opened in September 2001. No offices have closed since our last CRA evaluation on. The bank is wholly owned by Stephenson Bancorp, a one-bank holding company located in Marinette, Wisconsin.

The bank offers traditional community bank services with a loan portfolio representing 72% of total assets as of June 30, 2002. The bank is primarily a small business lender. The loan

portfolio consists of 66% commercial loans, 29% residential real estate loans, and 5% consumer loans.

There are no financial or legal impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated November 7, 1997, resulted in a satisfactory rating.

DESCRIPTION OF THE ASSESSMENT AREA:

The bank's assessment area consists of the southeastern half of Marinette County, Wisconsin, the southeastern corner of Oconto County, Wisconsin and the southern half of Menominee County, Michigan. The assessment area is comprised of eight moderate-, nineteen middle-, and one upper-income BNA. One of the moderate-income BNAs is located in Menominee County, six moderate-income BNAs are located in Marinette County and one moderate-income BNA is located in Oconto County. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies.

The population of the assessment area is 84,258, based on 1990 census data. The updated 2002 Housing and Urban Development (HUD) median family incomes for non-metropolitan areas in Wisconsin and Michigan are \$50,800 and \$44,800, respectively. Family income levels in the assessment area are represented as follows: 22% as low-income families (5,096 families), 19% as moderate-income (4,604 families), 25% as middle-income (5,784 families), and 34% as upper-income (7,873 families). A total of 2,292 families have incomes below the poverty level. This represents 10% of the total number of families in the assessment area. The median housing value within the assessment area in Wisconsin is \$42,538, with 50% of the housing units being owner-occupied. The median housing value within the assessment area in Michigan is \$39,436, with 62% of the housing units being owner-occupied.

The local economy is stabilizing after some weakening, especially in the manufacturing sector, after September 11, 2001. Manufacturing companies make up the major employers in the area. The unemployment rate for June 2002 for Wisconsin is 5.1%, with Marinette and Oconto Counties at 6.1% and 7%, respectively. The higher than state-average rates are in part due to the economic weakening discussed above, but are improving. The average unemployment rate for June 2002 in the Upper Peninsula of Michigan was 9%, and 7.8% for Menominee County. The unemployment rates in the Upper Peninsula have also been improving, but are higher than state unemployment rates. These figures are not seasonally adjusted.

Competition among financial institutions remains strong in the local market. Branches of two large multi state banks, branches of Michigan and Wisconsin national and state banks, as well as other local banks, savings and loans, credit unions and mortgage companies are located in the assessment area.

In conducting this assessment of the bank's performance, we contacted the head of the City of Marinette's Redevelopment Commission. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is good. SNBT's average quarterly loan-to-deposit ratio since the last examination is 86%. This ratio compares favorably to the five other financial institutions in or near the bank's assessment area. The average loan-to-deposit ratios for these similarly situated banks range from 64% to 81%. SNBT has the largest level of average assets of these banks at \$168 million. The other banks' average assets ranged from \$52 million to \$123 million.

Lending in Assessment Area

The bank's lending in its assessment area is reasonable. SNBT originates a majority of its loans inside the assessment area. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated by the bank between June 2000 and June 2002. A comparison of zip code and BNA boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the BNA address. A system report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area June 2000 – June 2002 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	93%	89%
Consumer Loans	94%	89%
Residential Real Estate Mortgages	94%	92%
Total	94%	90%

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

The bank does a satisfactory job of lending to borrowers of different income levels and to businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. A sample of 20 commercial customers located in the bank's assessment area indicated the following annual revenues:

Lending Distribution Based on Revenue Size of Businesses June 2000 – June 2002

Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	6	30%	87%
\$100 - \$500	7	35%	
\$500 - \$1,000	4	20%	5%
> \$1,000	3	15%	8%
Totals:	20	100%	100%

The table above shows 85% of the businesses sampled have revenues less than \$1 million. This is reasonable when compared to the demographics of the assessment area, where 92% of businesses have revenues less than \$1 million.

The following table is based on an analysis of 30 refinanced residential real estate mortgage loans containing income information for the borrower. These customers are located within the bank's assessment area and were randomly selected from all refinanced residential real estate mortgages originated since June 1, 2000.

Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers June 2000 – June 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	13%	12%	22%
Moderate	40%	36%	19%
Middle	27%	24%	25%
Upper	20%	28%	34%
Totals	100%	100%	100%

As indicated by the above table, 53% of the number and 48% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 41% of the assessment area's population. This represents a reasonable distribution of lending to borrowers of different income levels. The lower volume of loans to low-income borrowers, as depicted above, is reasonable considering 45% of the low-income borrowers in the assessment area are below the poverty level. These customers would not typically qualify for residential real-estate mortgages.

Geographic Distribution of Loans

Our analysis of commercial and refinanced residential real estate mortgage loans sampled

indicates the bank has a reasonable geographic distribution of loans throughout the assessment area, including lending in moderate-income BNAs. This is illustrated in the following table:

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area June 2000 - June 2002 Loan Originations				
	% of Number Originated in the Moderate-income BNA	% of Dollar Amount Originated in the Moderate-income BNA	% of Number Originated in the Middle & Upper-Income BNAs	% of Dollar Amount Originated in the Middle-& Upper-Income BNAs
Commercial Loans	35%	56%	65%	44%
Percentage of Businesses in the Assessment Area (Census information)	18%		82%	
Refinanced First Real Estate Mortgages	23%	33%	77%	67%
Percentage of Owner-Occupied Housing in the Assessment Area (Census information)	16%		84%	
Total Loans	28%	44%	72%	56%

Responses to Complaints

Neither the bank nor our agency has received and CRA-related complaints since the previous evaluation.

Fair Lending Review

An analysis of 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA evaluation in 1997.