



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Superior National Bank
Charter Number 14616**

**2820 East Second Street
Superior, WI 54880**

**Comptroller of the Currency
Duluth Field Office
302 West Superior Street
The Lonsdale Building, Suite 307
Duluth, MN 55802**

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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INSTITUTION'S CRA RATING

This institution is rated "Satisfactory."

- Superior National Bank meets the credit needs of the community, as a substantial majority of its loans by both number (88%) and dollar volume (98%) are located within the bank's defined assessment area.
- The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers).
- Geographic distribution of loans is reasonable and approximates community demographics.

DESCRIPTION OF INSTITUTION

Superior National Bank (SNB), Superior, WI, is a \$31 million commercial bank. The bank's main office is a full-service facility located on Highway 53 in Superior. The office has a drive-up window and night depository. In addition, the bank operates two cash-dispensing automated teller machines (ATMs) located at the main office in Superior and in Hawthorne, WI.

SNB's business focus is residential real estate and consumer lending. According to its Report of Condition and Income, the bank has the following outstanding loans by dollar volume on March 31, 2002: residential real estate (61%), commercial (31%), and consumer (8%). Net loans total 56% of total assets.

The bank is 100% owned by the Superior National Banc Holding Company, a \$31 million one-bank holding company headquartered in Superior, Wisconsin.

SNB received a "Satisfactory" rating at its April 27, 1998 CRA examination. This evaluation assesses the bank's CRA activities from June 30, 1998 through March 31, 2002. There are no financial, legal, or other factors which impede the bank's ability to meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

SNB identifies its assessment area as all of Douglas County, Wisconsin, which includes the entire Wisconsin portion of the Duluth-Superior, MN-WI Metropolitan Area #2240. The total population of the assessment area is 41,578 persons, according to 1990 U.S. Census Data.

The assessment area complies with regulatory requirements. It includes the main office and ATMs, as well as a majority of the bank's loans. The area does not arbitrarily exclude any low- or moderate-income census tracts.

The 1990 U.S. Census median family income (MFI) for the metropolitan area is \$30,561. The U.S. Department of Housing and Urban Development's 2002 updated MFI for the metropolitan area is \$50,800. The following table summarizes the income levels of individual census tracts and families within the bank's assessment area:

| Income Distribution of Geographies and Families | | | | | | | | |
|---|-------------------------|-----------------|---------------|--------------|------------------------|-----------------|---------------|--------------|
| Assessment Area | Number of Census Tracts | | | | Percentage of Families | | | |
| | Low Income | Moderate Income | Middle Income | Upper Income | Low Income | Moderate Income | Middle Income | Upper Income |
| Douglas County | 1 (8%) | 3 (23%) | 9 (69%) | 0 (0%) | 22% | 21% | 24% | 32% |

Source: U.S. Census Data (1990)

According to 1990 U.S. Census Data, the median housing value is \$37,782 and the average age of homes is 48 years. Owner-occupied units comprise 55% of housing in the assessment area. Rental units have an average gross rent of \$299 per month.

Major employers in Superior are mainly educational and transportation services, including: School District of Superior, University of Wisconsin Superior, Burlington Northern & Santa Fe railroad, and TTC Illinois Inc. Unemployment in Douglas County is relatively low at 4.5% and is slightly lower than the 4.9% unemployment rate for the state of Wisconsin.

Competition from other financial institutions is strong. Including SNB, there are seven financial institutions operating in Douglas County. The bank is the second smallest of the seven banks operating in Douglas County based on asset size. SNB's deposit share of 6% ranks sixth among the seven banks with offices in Douglas County.

We did not identify any unmet credit needs in SNB's assessment area through our contact with a local real estate agent. Our contact stated that low- and moderate-income housing needs are the most immediate credit need in the community. Our contact indicated that all area banks have expressed a willingness to provide financing, including financing in combination with several local governmental housing agency programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

SNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area's credit needs. The bank's quarterly net loan-to-deposit ratio averaged 67.4% over 16 quarters from June 30, 1998 through March 31, 2002. SNB's loan to deposit ratio has increased during the assessment period, rising from 56.8% as of June 30, 1998 to 69.7% as of March 31, 2002.

SNB ranks third among a total of three similarly situated banks operating in the assessment area. All three banks are community banks with total assets below \$100 million. The two other banks had average net loan-to-deposit ratios averaging 93.8% and ranging from 82% to 105% over the past 16 quarters from June 30, 1998 through March 31, 2002.

SNB's loan-to-deposit ratio is below those of the two similarly situated banks in the assessment area. The bank originates a high volume of loans with small dollar balances, focusing on residential real estate and consumer loans, with commercial loans as a secondary loan product. During the evaluation period, SNB originated 1,802 loans totaling nearly \$37 million. This averages only slightly over \$20 thousand per loan. Of these originations, residential loans totaled 671 and consumer loans totaled 819. Residential loans averaged \$33,761 per loan and consumer loans averaged \$5,082 per loan. Commercial loans generally have higher loan amounts and more drastically affect a bank's loan-to-deposit ratio. However, SNB originated 312 commercial loans averaging only about \$32,000 per loan.

Lending in Assessment Area:

SNB originates a substantial majority of its loans to borrowers located within its defined assessment area. We sampled 20 residential loans and 20 consumer loans originated from May 1, 1998 through March 31, 2002. Approximately 88% by number and 98% by dollar volume were originated to individuals located within the bank's assessment area. The following table shows loans in the assessment area by number and dollar volume:

| LENDING IN ASSESSMENT AREA BY NUMBER AND DOLLAR AMOUNT (000's) | | | | |
|--|--------|-------------------|-----------|--------------------|
| Type of Loan | Number | Percent of Number | Dollars | Percent of Dollars |
| Residential | 20 | 100% | \$735,955 | 100% |
| Consumer | 15 | 75% | \$79,460 | 84% |
| Total | 35 | 88% | \$815,415 | 98% |

Source: Bank records (verified by examiners)

Lending to Borrowers of Different Incomes:

Overall, the distribution of borrowers reflects excellent penetration among individuals of different income levels. Both residential real estate and consumer lending to low- and moderate-income borrowers show strong performance.

Residential real estate lending activity in the assessment area meets the community demographics for low-income borrowers and exceeds community demographics for moderate-income borrowers. SNB originated 671 residential loans totaling \$22.6 million from May 1, 1998 through March 31, 2002. The average residential loan size is \$33,671. Examiners sampled 20 residential real estate loans originated within the bank's assessment area. The following table compares the bank's residential lending activity by borrower income level to community demographics:

| BORROWER DISTRIBUTION OF RESIDENTIAL LOANS BY INCOME LEVEL | | | |
|--|--------|-------------------|---------------------|
| Borrower Income Level | Number | Percent of Number | Percent of Families |
| Low | 4 | 20% | 22% |
| Moderate | 6 | 35% | 21% |
| Middle | 9 | 40% | 24% |
| Upper | 1 | 5% | 32% |
| Totals | 20 | 100% | 100% |

Source: Bank records (verified by examiners); U.S. Census Data (1990)

Consumer lending activity in the assessment area substantially exceeds the community demographics for both low-and moderate-income borrowers. SNB originated 819 consumer loans totaling \$4 million from May 1, 1998 through March 31, 2002. The average consumer loan size is \$5,082. Examiners sampled 20 consumer loans originated within the bank's assessment area. The following table compares the bank's consumer lending activity by borrower income level to community demographics:

| BORROWER DISTRIBUTION OF CONSUMER LOANS BY INCOME LEVEL | | | |
|---|--------|-------------------|-----------------------|
| Borrower Income Level | Number | Percent of Number | Percent of Households |
| Low | 11 | 55% | 25% |
| Moderate | 7 | 35% | 17% |
| Middle | 1 | 5% | 20% |
| Upper | 1 | 5% | 38% |
| Totals | 20 | 100% | 100% |

Source: Bank records (verified by examiners); U.S. Census Data (1990)

We did not perform a review of SNB's commercial lending activity by revenue size, as this is not a major product line for the bank. SNB originated 312 commercial and commercial real estate loans totaling \$10 million from May 1, 1998 through March 31, 2002.

Geographic Distribution of Loans:

Geographic distribution of loans throughout the assessment area is reasonable. Residential real estate loan distribution in both low- and moderate-income census tracts is good and meets community demographics. Consumer loan distribution in both low- and moderate-income census tracts is adequate, although slightly below community demographics. Refer to the following tables:

| GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL LOANS IN THE ASSESSMENT AREA | | | | | |
|---|--------|-------------------|-------------|-------------------|---|
| Originations Dated June 30, 1998 through March 31, 2002 | | | | | |
| Tract Income Level | Number | Percent of Number | Amount | Percent of Amount | Percent of Owner Occupied Housing By Tract Category |
| Low-Income | 2 | 3% | \$28,000 | 1% | 3% |
| Moderate-Income | 7 | 12% | \$209,380 | 9% | 14% |
| Middle-Income | 51 | 85% | \$2,045,499 | 90% | 83% |
| Upper-Income | 0 | 0% | \$0 | 0% | 0% |
| Totals | 60 | 100% | \$2,282,879 | 100% | 100% |

Source: Bank records (verified by examiners); U.S. Census Data (1990)

| GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN THE ASSESSMENT AREA | | | | | |
|--|--------|-------------------|----------------|-------------------|---|
| Originations Dated June 30, 1998 through March 31, 2002 | | | | | |
| Tract Income Level | Number | Percent of Number | Amount (\$000) | Percent of Amount | Percent of Households By Tract Category |
| Low-Income | 0 | 0% | \$0 | 0% | 5% |
| Moderate-Income | 3 | 15% | \$20,492 | 23% | 23% |
| Middle –Income | 17 | 85% | \$68,646 | 77% | 72% |
| Upper-Income | 0 | 0% | \$0 | 0% | 0% |
| Totals | 20 | 100% | \$89,138 | 100% | 100% |

Source: Bank records (verified by examiners); U.S. Census Data (1990)

We did not identify any significant gaps in the bank's lending patterns. Geographic distribution reflects lending in most of the 13 census tracts in the bank's assessment area. SNB originated residential loans in all census tracts including low-, moderate-, and middle-income tracts. SNB did not originate consumer loans in three census tracts, including one low-income tract and two middle-income tracts. Given the low number of households in the low-income census tract, SNB's overall lending distribution to throughout the assessment area is reasonable.

We did not review geographic distribution of commercial loans in the bank's assessment area due to the low number volume of this loan type.

Response to Complaints:

The bank has not received any CRA-related complaints since the last CRA exam.

OTHER INFORMATION

Fair lending:

An analysis of 1999, 2000, and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the 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 examination was performed in 1998.

Home Mortgage Disclosure Act:

Prior to 2002, SNB was exempt from the Home Mortgage Disclosure Act (HMDA). SNB exceeded the total asset threshold as of December 31, 2001, requiring the bank to comply with this regulation beginning January 1, 2002. We did not verify the accuracy of the Loan Application Register since only three months of data was available.