



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 16, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Stephenson National Bank and Trust
Charter Number 4137
1820 Hall Avenue
Marinette, WI 54143

Office of the Comptroller of the Currency
Iron Mountain Field Office
1302 1/2 South Carpenter Ave.
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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. The bank's CRA performance in the state of Wisconsin and the state of Michigan is Satisfactory. The information contained in this performance evaluation pertains to performance in both states.

- The bank's loan-to-deposit ratio is reasonable given its size and financial condition, and the credit needs of its assessment areas.
- The bank originates a substantial majority of loans inside its assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

SCOPE OF EXAMINATION

We evaluated Stephenson National Bank & Trust's (SNBT) Community Reinvestment Act (CRA) performance under the Small Bank Lending Test. Data from the bank's primary loan products, small business loans and home mortgage loans, was used to evaluate the bank's lending performance.

The evaluation covered the period from the date of the previous CRA examination, August 5, 2002, through February 8, 2010. The Lending Test evaluated small business and home mortgage loans originated between January 1, 2007 and February 3, 2010. Prior to conducting this evaluation, the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data was tested. The data was found to be accurate, and HMDA data was used in evaluating home mortgage lending. To evaluate small businesses, we used data from the bank's loan trial balance as well as random samples of business loans for each of the bank's assessment areas. The most recent demographic data available was also obtained.

Our analysis included full-scope evaluations of the bank's Marinette County, Wisconsin assessment area and Menominee County, Michigan assessment area, and a limited-scope evaluation of the bank's Oconto County, Wisconsin assessment area.

DESCRIPTION OF INSTITUTION

SNBT is a \$270 million bank with its main office located in Marinette, Wisconsin in a middle-income census tract (CT). The bank also operates two full-service branches in Oconto, Wisconsin and Menominee, Michigan (both in middle-income CTs). Six ATM's are located at the main office and each branch location, Angeli's County Markets in Marinette, Wisconsin and Menominee, Michigan, and River Cities Fuel Plaza in Marinette, Wisconsin. A branch located

in the Angeli's County Market in Menominee, Michigan closed in February, 2008. The bank is wholly owned by Stephenson Bancorp, a one-bank holding company also located in Marinette, Wisconsin with approximately \$270 million in total assets. All financial information is as of December 31, 2009.

The bank offers traditional community bank products and services, and has a loan portfolio representing 72% of total assets. The bank's primary loan products are commercial and residential real estate. The loan portfolio consists of (by dollar value) 71% commercial loans, 25% residential real estate loans, 3% consumer loans, 0% agricultural loans, and 1% other loans.

The bank's business strategy has historically been to serve the credit and depository needs of its local community. The bank is mostly a commercial lender, serving small to large-sized businesses.

There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment areas. The previous CRA evaluation dated August 5, 2002 resulted in a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREAS

SNBT has three assessment areas. The Marinette County, Wisconsin assessment area, which represents the majority of the bank's deposit and lending activity, was selected for full-scope review. This assessment area consists of the southeastern half of Marinette County. The Menominee County, Michigan assessment area was also selected for a full scope review. This assessment area consists of the southern half of Menominee County. The Oconto County, Wisconsin assessment area was selected for a limited-scope review. This assessment area consists of the southeastern corner of Oconto County, which is part of the Green Bay metropolitan statistical area. All three assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

Competition from other financial institutions remains strong. Competitors include state banks, branches of national banks, and credit unions. In total deposits, SNBT ranks first in the Wisconsin assessment areas with a market share of 16% of all area FDIC insured institutions. SNBT ranks second in the Michigan assessment area. This is using market share data as of June 30, 2009.

Marinette County, Wisconsin Assessment Area

According to 2000 census data, the total population of the bank's Marinette County assessment area is 30,917, which is comprised of 8,657 families. Income levels for these families are as follows: 1,579 low-income families (18%), 1,916 moderate-income families (22%), 2,293 middle-income families (27%), and 2,869 upper-income families (33%). The level of households in the assessment area below the poverty level is 8%. The 2000 U.S. Census estimated median family income (MFI) is \$43,405. The 2009 Department of Housing and Urban Development (HUD) updated MFI is \$58,500.

This assessment area consists of zero low- and moderate-income, eight middle-income, and one upper-income census tracts.

In conducting the assessment of the bank's performance, we contacted a representative of the City of Marinette Office of Community Development. The individual stated that local financial institutions are meeting the credit needs of the community.

Menominee County, Michigan Assessment Area

According to 2000 census data, the total population of the bank's Menominee County assessment area is 21,726, which is comprised of 6,084 families. Income levels for these families are as follows: 1,249 low-income families (21%), 1,357 moderate-income families (22%), 1,423 middle-income families (23%), and 2,055 upper-income families (34%). The level of households in the assessment area below the poverty level is 12%. The 2000 U.S. Census estimated MFI is \$40,104. The 2009 HUD updated MFI is \$52,700.

This assessment area consists of zero low- and moderate-income, six middle-income, and zero upper-income census tracts.

Oconto County, Wisconsin Assessment Area

According to 2000 census data, the total population of the bank's Oconto County assessment area is 32,761, which is comprised of 9,176 families. Income levels for these families are as follows: 1,805 low-income families (20%), 2,191 moderate-income families (24%), 2,652 middle-income families (29%), and 2,528 upper-income families (27%). The level of households in the assessment area below the poverty level is 7%. The 2000 U.S. Census estimated MFI is \$47,932. The 2009 HUD updated MFI is \$65,900.

This assessment area consists of zero low-income, three moderate-income, six middle-income, and zero upper-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given its size and financial condition, and the credit needs of its community. The average quarterly loan-to-deposit ratio for the bank since the last examination was 88%, which ranks highest in a peer group of four other similarly situated banks. SNBT ranks highest in the peer group in average assets size at \$270 million. The other banks had average assets ranging from \$63 million to \$154 million. The average loan-to-deposit ratios for these banks ranged from 68% to 85% over the same period.

Lending in Assessment Area

SNBT originates a substantial majority of its loans to borrowers located within its three assessment areas. A review of the bank’s primary loan products shows that 92% by number and 94% by dollar volume of loans were made to businesses and individuals located within the bank’s assessment areas.

Lending in the Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate Mortgages	744	92%	66	8%	810	\$75,359	93%	\$5,865	7%	\$81,224
Commercial Loans	45	90%	5	10%	50	\$17,644	98%	\$314	2%	\$17,958
Totals	789	92%	71	8%	860	\$93,003	94%	\$6,179	6%	\$99,182

Source: HMDA data and sample of 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.

As shown in the following tables, the distribution of loans to businesses of various sizes is reasonable. The number of loans to businesses with revenues under \$1 million is consistent with the assessment area (AA) demographics.

Borrower Distribution to Businesses in Marinette County, Wisconsin AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	77%	4%	19%	100%
% of Bank Loans in AA by #	76%	24%	0%	100%
% of Bank Loans in AA by \$	77%	23%	0%	100%

Source: Sample of bank records (verified by examiners) and U.S. Census Demographic Data

Borrower Distribution to Businesses in Menominee County, Michigan AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailabl e	Total
% of AA Businesses	74%	4%	22%	100%
% of Bank Loans in AA by #	75%	21%	4%	100%
% of Bank Loans in AA by \$	80%	20%	0%	100%

Source: Sample of bank records (verified by examiners) and U.S. Census Demographic Data

The distribution of home mortgage loans to low- and moderate-income borrowers is reasonable when compared to the demographics of the assessment areas.

Borrower Distribution of Residential Real Estate Mortgage Loans in Marinette County, Wisconsin AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	18%	17%	22%	28%	27%	24%	33%	31%

Source: HMDA data and U.S. Census Demographic Data

Borrower Distribution of Residential Real Estate Mortgage Loans in Menominee County, Michigan AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	21%	12%	22%	20%	23%	35%	34%	33%

Source: HMDA data and U.S. Census Demographic Data

Geographic Distribution of Loans

Both of the full scope assessment areas consisted of only middle- and upper-income census tracts. Because there were no low- or moderate-income census tracts in these areas, a geographic distribution analysis would not provide meaningful information.

Conclusions for Areas Receiving Limited-Scope Review

Based on a limited-scope review, the bank’s performance in the Oconto County, Wisconsin assessment area is consistent with the bank’s overall performance. The bank’s lending performance in this area was comparable to the other assessment areas. Consideration was given to such factors as location of the branch in this area, competition, and the bank’s business strategy. Banking services provided are also consistent with the areas receiving a full-scope review. The distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable in this area. In addition, the geographic distribution of loans reflects reasonable lending penetration in this assessment area.

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

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.