



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 22, 2001**

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

**Peshtigo National Bank  
Charter Number 5658**

**250 French Street  
Peshtigo, WI 54157**

**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 Peshtigo National Bank, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 22, 2001. 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.

- The bank has a reasonable distribution of lending to businesses of different sizes given the demographics of the assessment area.
- The bank originates a majority of its loans inside the assessment area.
- The bank has an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels.
- The bank has a reasonable loan-to-deposit ratio.

**DESCRIPTION OF INSTITUTION:**

The Peshtigo National Bank is a \$52 million bank with the main office located in downtown Peshtigo, Wisconsin, a middle-income Block Numbering Area (BNA). The bank operates one ATM located at the main office and does not have any branches. No offices have opened or closed since our last examination on February 4, 1997. The bank is wholly owned by Peshtigo National Bancorporation, a one-bank holding company located in Peshtigo, Wisconsin.

The bank offers traditional community bank services with a loan portfolio representing 59% of total assets as of September 30, 2001. The Peshtigo National Bank is primarily a residential real estate and small business lender. The bank's loan portfolio consists of 46% residential real estate mortgages, 45% commercial loans and 9% consumer loans.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The previous CRA examination dated February 4, 1997 resulted in a satisfactory CRA rating.

## **DESCRIPTION OF THE ASSESSMENT AREA:**

The assessment area includes the southern portion of Marinette County and the northeastern corner of Oconto County. This area includes one moderate-income, eight middle-income and one upper-income BNAs. The Peshtigo National Bank's office is located in a middle-income BNA. The moderate-income BNA is located in Marinette County, on the outer edge of the bank's assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income geographies.

The population of the assessment area is 35,205, based on 1990 census data. The updated Housing and Urban Development (HUD) 2001 median family income for non-metropolitan areas in Wisconsin is \$48,400. A breakdown of family income levels in the assessment area shows 22% as low-income (2,075 families), 19% as moderate-income (1,792 families), 25% as middle-income (2,441 families) and 34% as upper-income (3,255 families). A total of 918 families have incomes below the poverty level. This represents 10% of the total families in the assessment area. The median housing value within the assessment area is \$42,651, with 65% of the housing being owner-occupied.

The local economy is characterized as stable with little change in the industry composition. Paper mills, small manufacturing companies and commercial and industrial support services make up the major employers in the area. Some of these businesses include Waupaca Foundry, Marinette Marine, Kimberly Clark, Badger Paper Mills, Rennes Health Care Centers, Ansul, DeCrane Aircraft, and KSU. Several new retail businesses have located in the area surrounding the Pine Tree Mall in Marinette. One new business, Acer Flooring, has located in the Peshtigo Industrial Park in the last two years. Unemployment in the local area has been declining and is slightly above the state average of 3.4% at September 30, 2001. At the end of September 2001, Marinette County unemployment was 4.5%, with Oconto County at 5.1%.

Competition among financial institutions remains strong in the local market, with branches of two larger banks and a credit union located in Peshtigo. Several other banks, including branches of two multi-state banks, and four credit unions compete for business in the Marinette area. One community bank and a branch of a multi-state bank are located in the northern portion of the bank's assessment area.

In conducting this assessment of the bank's performance, we contacted a director of the local economic development council. The contact believes that the credit needs of the community are being met by the local financial institutions. Because competition among lenders in the area is strong the contact considers access to credit, by all income levels, good.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. The Peshtigo National Bank's average quarterly loan-to-deposit ratio from December 1996 through June 2001 is 67%. The average quarterly loan-to-deposit ratios for three other community banks located in the assessment area was 72%. The Peshtigo National Bank has the smallest total assets amount at \$52 million, with the other three banks having total assets ranging from \$85 million to \$159 million. The similarly situated banks have average loan-to-deposit ratios ranging from 63% to 84% over the same time period.

### Lending in Assessment Area

Lending in the assessment area is good. The Peshtigo National Bank originates a majority of its loans inside its 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 or refinanced by the bank between January 1, 2000 and September 30, 2001. Customer location is determined by bank personnel using street address, city, and zip codes, which were plotted on plat maps and assessment area BNA maps and input into the loan system. A system report sorted by BNA and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

<b>Penetration of Lending Inside the Bank's Assessment Area January 2000 - September 2001 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	93%	89%
Consumer Loans	87%	87%
Residential Real Estate Mortgages	88%	84%
Total	89%	87%

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

The bank does an adequate job of lending to borrowers of different income levels and to businesses of different sizes. The bank's primary loan products, commercial loans and residential real estate mortgages, were used in our sample. A sample of 20 commercial customer files indicates the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses January 2000 – September 2001</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	3	15%	86%
\$100 - \$500	8	40%	
\$500 - \$1,000	4	20%	6%
> \$1,000	5	25%	8%
Totals:	20	100%	100%

The table above shows 75% of the businesses sampled have revenues less than \$1 million. The bank also has a reporting system that tracks all business customers with annual revenues in excess of \$1 million. An analysis of this information indicated 91% of the bank's commercial borrowers, in number, have annual revenues less than \$1 million.

The following table is based on an analysis of 20 residential real estate loan files containing income information for the borrower. Customers were randomly selected from all residential real estate mortgages originated since January 2001.

<b>Lending Distribution Based on Income Level of Residential Real Estate Borrowers January 2001 - September 2001 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (census information)</b>
Low	20%	5%	22%
Moderate	20%	22%	19%
Middle	25%	18%	25%
Upper	35%	55%	34%
Totals	100%	100%	100%

As indicated by the above table, 40% of the number and 27% of the dollar value of loans were made to low and moderate-income borrowers, who make up 41% of the area's population. This represents a reasonable distribution of lending to borrowers of different income levels. This conclusion is based on two factors. First, the lower percentage of dollars loaned to low and moderate-income borrowers is indicative of the smaller loans that are typically made to customers in those income ranges. Second, close to half (44%) of the low-income families in the assessment area are below the poverty level. These families would not typically qualify for real estate mortgage loans. Low-income families with incomes above the poverty level represent 12% of families. The results of our sample show this segment is well serviced, with 20% of the sampled mortgage loans being made to low-income families.

## Geographic Distribution of Loans

In order to perform our analysis of the bank's geographic distribution of credit, the bank's internally generated report used in the lending in the assessment area criteria test was used for this analysis. This report includes all loans originated or refinanced in the bank's assessment area from January 2000 through September 2001. Our analysis shows a reasonable distribution of customers throughout the assessment area, with lending evident in all BNAs (see table below).

<b>Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2000 - September 2001 Loan Originations</b>						
	<b>% of Number Originated in the Moderate-income BNA</b>	<b>% of Dollar Amount Originated in the Moderate-income BNA</b>	<b>% of Number Originated in the Middle-Income BNAs</b>	<b>% of Dollar Amount Originated in the Middle-Income BNAs</b>	<b>% of Number Originated in the Upper-Income BNA</b>	<b>% of Dollar Amount Originated in the Upper-Income BNA</b>
<b>Commercial Loans</b>	6%	6%	67%	67%	27%	27%
<b>Percentage of Businesses in the Assessment Area (census information)</b>	8%		88%		4%	
<b>Real Estate Mortgages</b>	6%	9%	71%	69%	23%	22%
<b>Percentage of Owner-Occupied Housing in the Assessment Area (census information)</b>	7%		85%		8%	
<b>Consumer Loans</b>	5%	6%	70%	66%	25%	28%
<b>Percentage of Population in the Assessment Area (census information)</b>	6%		87%		7%	
<b>Total Loans</b>	6%	8%	69%	67%	25%	25%

## Responses to Complaints

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

## Fair Lending Review

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