



PUBLIC DISCLOSURE

June 17, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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. 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 major factors supporting the institution's rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the 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.

SCOPE OF EXAMINATION

We evaluated Stephenson National Bank & Trust's (SNBT) Community Reinvestment Act (CRA) performance under the Small Bank Lending Test. SNBT had total assets of \$300 million as of December 31, 2012, and \$292 million as of December 31, 2011, which is just below the intermediate small bank (ISB) level. CRA defines intermediate small institutions as having at least \$296 million as of December 31 of both of the prior two calendar years. We reviewed data for the bank's primary loan products, home mortgage loans and small business loans, to evaluate the bank's lending performance.

The evaluation period covers the period from the previous CRA examination, February 16, 2010 through June 17, 2013. The Lending Test evaluated loans originated between January 1, 2011, and December 31, 2012. Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data. We found the data to be accurate and used HMDA data to evaluate home mortgage lending. To evaluate small business lending, we used both data from the bank's loan trial balance as well as random samples of business loans for each of the bank's assessment areas. We also obtained the most recent demographic data available.

Our analysis includes 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 \$304 million bank headquartered in Marinette, Wisconsin. The main office is located in a middle-income census tract (CT). SNBT is an interstate bank with two full-service branches in Menominee, Michigan, and Oconto, Wisconsin. SNBT maintains three ATMs, located at the main office and each branch location. Three ATMs were removed since the last CRA evaluation as management of the businesses in which they

were located chose to install their own ATMs. The bank is wholly owned by Stephenson Bancorp, a one-bank holding company also located in Marinette, Wisconsin, with approximately \$304 million in total assets. All financial information is as of March 31, 2013.

The bank offers traditional community bank products and services, and has a loan portfolio representing 73 percent of total assets as of March 31, 2013. The bank's primary loan products are commercial and residential real estate. The loan portfolio consists of (by dollar value): 72 percent commercial loans, 25 percent residential real estate loans, 3 percent consumer loans, and less than 1 percent for agricultural and 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. Competition from other financial institutions remains strong. Competitors include state banks, branches of national banks, and credit unions. In total deposits, SNBT ranks first within their assessment areas with an 18 percent market share.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs of its assessment areas. The previous CRA evaluation, dated February 16, 2010, resulted in a Satisfactory rating.

SELECTION OF AREAS FOR FULL SCOPE REVIEW

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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SNBT's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last CRA examination is 86 percent, which ranks first in a peer group of four similarly situated banks. SNBT ranks largest with \$304 million in assets while other banks range from \$71 million to \$173 million as of the first quarter of 2013.

Lending in Assessment Area(s)

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 95 percent by number and 93 percent 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	617	95%	34	5%	651	\$67,448	92%	\$5,731	8%	\$73,179
Commercial Loans	110	96%	4	4%	120	\$10,317	96%	\$397	4%	\$7,784
Totals	727	95%	38	5%	771	\$77,765	93%	\$6,128	7%	\$80,963

Source: 2011-2012 HMDA data and sample of bank records (verified by examiners)

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment areas by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

State of Wisconsin

CRA Rating for Wisconsin is Satisfactory.

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects poor penetration; however, assessment areas changed in 2012, adding three moderate census tracts where Marinette County previously had no low- or moderate-income tracts

DESCRIPTION OF ASSESSMENT AREA

According to 2000 census data, the total population of the bank's Marinette County assessment area is 34,996, which is comprised of 9,699 families. The number of families at each income level is as follows: 1,765 low-income families (18 percent), 2,125 moderate-income families (22 percent), 2,536 middle-income families (26 percent), and 3,273 upper-income families (34 percent). The percent of families below the poverty level in the assessment area is 5 percent. The 2000 U.S. Census estimated median family income (MFI) is \$43,963. The HUD updated median family income is \$59,100.

According to 2010 census data, the total population of the bank's Marinette County assessment area is 34,479, which is comprised of 9,955 families. The number of families at each income level is as follows: 2,182 low-income families (22 percent), 2,063 moderate-income families (21 percent), 2,183 middle-income families (22 percent), and 3,527 upper-income families (35 percent). The percent of families in the assessment area below the poverty level is 10 percent. The 2010 U.S. Census estimated median family income (MFI) is \$52,370. The HUD updated median family income is \$59,900.

In assessing 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.

For the limited scope review of the bank's Oconto County assessment area, 2000 census data stated total population for the county is 27,512, which is comprised of 7,652 families. The number of families at each income level is as follows: 1,356 low-income families (18 percent), 1,762 moderate-income families (23 percent), 2,268 middle-income families (29 percent), and 2,266 upper-income families (30 percent). The percent of families in the assessment area below the poverty level is 4 percent. The 2000 U.S. Census estimated median family income (MFI) is \$49,803. The HUD updated median family income is \$67,600.

For the limited scope review of the bank’s Oconto County assessment area, 2010 census data stated total population for the county is 29,858, which is comprised of 9,049 families. The number of families at each income level is as follows: 2,097 low-income families (23 percent), 1,777 moderate-income families (20 percent), 2,181 middle-income families (24 percent), and 2,994 upper-income families (33 percent). The percent of families in the assessment area below the poverty level is 9 percent. The 2010 U.S. Census estimated median family income (MFI) is \$59,342. The HUD updated median family income is \$68,500.

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and poor penetration among businesses of different sizes.

The borrower distribution of home mortgage loans in 2011 within the AA is reasonable. The bank is slightly lower than the area demographic for low-income and moderate-income borrowers. The bank made 14 percent of home mortgage loans to low-income borrowers and 20 percent of home mortgage loans to moderate-income borrowers. The area demographics show that 18 percent of families are low-income and 22 percent of families are moderate-income borrowers.

2011 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%	14%	22%	20%	26%	11%	34%	52%

Source: 2011 HMDA data and 2000 U.S. Census Demographic Data

Note: Applicant income is N/A for three loans (3%).

The borrower distribution of business loans in 2011 within the AA is poor. As the following table shows, the number of loans originated to businesses with revenues under \$1 million is less than the demographic data. The percent of assessment area businesses with revenues less than \$1 million is 71 percent. The bank made 55 percent of loans by number and 33 percent by dollar to businesses with revenues of \$1 million or less. The percentage of bank loans to businesses with revenues of \$1 million or less improved in 2012 to become more consistent with the assessment area demographics (see 2012 tables).

2011 Borrower Distribution to Businesses in Marinette County, Wisconsin AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	71%	3%	26%	100%
% of Bank Loans in AA by #	55%	40%	5%	100%
% of Bank Loans in AA by \$	33%	60%	7%	100%

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

The borrower distribution of home mortgage loans for 2012 within the AA is reasonable. The bank is less than the area demographic for low-income borrowers and slightly less for moderate-income borrowers. The bank made only 6 percent of its loans to low-income borrowers, which is less than the demographics of 22 percent of low-income borrowers. The bank made 18 percent of its loans to moderate-income borrowers, which is slightly less than the demographics of 21 percent of moderate-income families in the AA.

2012 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	22%	6%	21%	18%	22%	27%	35%	44%

Source: 2012 HMDA data and 2010 U.S. Census Demographic Data

Note: Applicant income is N/A for seven loans(5%).

The borrower distribution of business loans for 2012 within the AA is reasonable. The number of loans originated to businesses with revenues of \$1 million or less is slightly less than the demographic data. The percent of assessment area businesses with revenues of \$1 million or less is 74 percent. The bank made 70 percent of loans by number and 55 percent by dollar amount to businesses with revenues of \$1 million or less.

2012 Borrower Distribution to Businesses in Marinette County, Wisconsin AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	74%	5%	21%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	55%	45%	0%	100%

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

Geographic Distribution of Loans

In 2011, the bank’s Marinette County Non-MSA assessment area did not contain low- or moderate-income census tracts. Therefore, a geographical distribution analysis would not provide meaningful information.

The assessment area changed in 2012, adding three moderate-income census tracts to the assessment area. There are no low-income census tracts in the bank’s assessment area.

In 2012, the geographic distribution of home mortgage loans in the bank's AA is poor. The demographic data shows 29 percent of assessment area owner occupied housing, and the bank made 15 percent of its loans in moderate-income census tracts.

2012 Geographic Distribution of Home Mortgage Loans in Marinette County, WI AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage	0%	0%	29%	15%	61%	67%	10%	18%

Source: 2012 HMDA data and 2010 U.S. Census Demographic Data

The geographic distribution of business loans in the bank’s AA is poor. The demographic data shows 26 percent of assessment area businesses are located in a moderate-income census tract and the bank made 4 percent of its loans to those moderate-income census tracts.

2012 Geographic Distribution of Loans to Businesses in Marinette County, WI AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	26%	4%	68%	96%	6%	0%

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

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 not inconsistent with the bank's overall performance. The bank's lending performance in this area is 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 consistent with the areas receiving full scope reviews. 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 the 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.

State of Michigan

CRA Rating for Michigan is Satisfactory.

The major factor that supports this rating include:

- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF 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. The number of families at each income level is as follows: 1,249 low-income families (21 percent), 1,357 moderate-income families (22 percent), 1,423 middle-income families (23 percent), and 2,055 upper-income families (34 percent). The percentage of families in the assessment area below the poverty level is 8 percent. The 2000 U.S. Census estimated MFI is \$40,104. The HUD updated median family income is \$51,400.

According to 2010 census data, the total population of the bank's Menominee County assessment area is 20,508, which is comprised of 6,318 families. The number of families at each income level is as follows: 1,025 low-income families (16 percent), 1,313 moderate-income families (21 percent), 1,737 middle-income families (27 percent), and 2,243 upper-income families (36 percent). The percentage of families in the assessment area below the poverty level is 8 percent. The 2010 U.S. Census estimated MFI is \$50,297. The HUD updated median family income is \$52,100.

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

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

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The distribution of home mortgage loans to low-income borrowers in 2011 shows poor penetration when compared to the demographics of the assessment areas. The bank's lending to moderate-income borrowers is consistent with the assessment area demographics. The bank made 7 percent of its loans to low-income borrowers and 22 percent to moderate-income borrowers. The demographic data shows 21 percent of assessment area families are low-income and 22 percent of assessment area families are moderate-income.

2011 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%	7%	22%	22%	23%	22%	34%	44%

Source: 2011 HMDA data and 2000 U.S. Census Demographic Data

Note: Applicant income is N/A for five loans(5%).

The distribution of loans to businesses of various sizes in 2011 shows reasonable penetration. The number of loans originated to businesses with revenues of \$1 million or less is consistent with the demographic data. The percent of assessment area businesses with revenues of \$1 million or less is 72 percent. The bank made 72 percent of loans by number and 82 percent by dollar to this group.

2011 Borrower Distribution to Businesses in Menominee County, Michigan AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	72%	4%	24%	100%
% of Bank Loans in AA by #	72%	17%	11%	100%
% of Bank Loans in AA by \$	82%	5%	13%	100%

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

The distribution of home mortgage loans to low-income borrowers in 2012 shows poor penetration when compared to the demographics of the assessment areas. The bank's lending to moderate-income borrowers exceeds the assessment area demographics. The bank made 6 percent of its loans to low-income borrowers and 23 percent to moderate-income borrowers. The demographic data shows 16 percent of assessment area families are low-income and 21 percent of assessment area families are moderate-income.

2012 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	16%	6%	21%	23%	27%	19%	36%	48%

Source: 2012 HMDA data and 2010 U.S. Census Demographic Data

Note: Applicant income is N/A for four loans (3%).

The distribution of loans to businesses of various sizes in 2012 shows reasonable penetration. The number of loans originated to businesses with revenues of \$1 million or less is less than the demographic data. The percent of assessment area businesses with revenues of \$1 million or less is 76 percent. The bank made 47 percent of loans by number and 53 percent by dollar to this group. While this borrower distribution in 2012 shows a lower level of penetration than 2011, there is a higher level of unavailable data.

2012 Borrower Distribution to Businesses in Menominee County, Michigan AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76%	5%	19%	100%
% of Bank Loans in AA by #	47%	21%	32%	100%
% of Bank Loans in AA by \$	53%	32%	15%	100%

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

Geographic Distribution of Loans

The geographic distribution for the Menominee, Michigan assessment contains no low- or moderate-income tracts for 2011 and 2012. Therefore, a geographic distribution analysis would not provide meaningful information.

RESPONSES TO COMPLAINTS

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