



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Superior National Bank & Trust Company
Charter #9087
235 Quincy Street
Hancock, Michigan 49930**

**Office of the Comptroller of the Currency
Iron Mountain Duty Station
P.O. Box 666
Iron Mountain, Michigan 49801**

Note: 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.

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 CRA performance of **Superior National Bank & Trust Company** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 21, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

Institution's CRA Rating: This institution is rated **Outstanding** record of meeting community credit needs.

Superior National Bank has a good record of originating loans to individuals of different income levels and to businesses of all sizes. The loan-to-deposit ratio is strong and a substantial majority of loans are to borrowers located in the assessment area.

The following table indicates the performance level of Superior National Bank & Trust Company with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Superior National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio	X		
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes	X		
Geographic distribution of loans	X		
Response to Complaints	No complaints were received since the prior evaluation		

DESCRIPTION OF INSTITUTION

Superior National Bank & Trust Company is a \$129 million bank with its main office located in downtown Hancock, Michigan, a middle-income Block Numbering Area (BNA). The bank has five full service branches. Three branches are located in moderate-income BNA's (Baraga, Hubbell, Calumet) and two branches are within a middle-income BNA (Houghton). In addition, the bank also maintains 24 hour ATMs at the main office, the Baraga branch, the Calumet branch, and within the Copper Country Mall and Econo Foods in Houghton. The office in Calumet was opened in December 1995. The bank is owned by the Keweenaw Financial Corporation located in Hancock, Michigan. This \$172 million bank holding company owns two banks located in the northwestern Upper Peninsula of Michigan.

The bank offers traditional community bank and trust services with a loan portfolio representing 70% of total assets. The loan portfolio is broken down as follows: 39% in commercial loans, 13% in consumer loans, and 48% in residential mortgages. There are no financial, legal, or other impediments which would hinder the bank's ability to help meet credit needs within its assessment area.

DESCRIPTION OF BARAGA, HOUGHTON AND KEWEENAW COUNTIES

The assessment area includes all of Baraga, Houghton and Keweenaw counties and is comprised of nine middle- and five moderate-income BNA's. The entire Keweenaw County is comprised of two moderate-income BNA's. Two moderate-income BNA's are located in Houghton County and one moderate-income BNA is located in Baraga County. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- and moderate-income geographies.

The population of the assessment area, according to the 1990 census, is 45,101. Income levels of these 10,683 families are as follows: low-income - 26%; moderate-income - 22%; middle-income - 22%; and upper-income - 30%. The HUD median family income for non-metropolitan areas in Michigan was \$32,600 in 1995 and \$33,800 in 1996.

The local economy is healthy and stable with improving employment trends. The economy is supported by an area casino, tourism, logging, a state university, and a state prison.

Competition is strong in the local market. One large savings bank is headquartered in Hancock. Several smaller banks, a branch of a large bank owned by a multi-state holding company, and four credit unions also vie for business.

A community contact was conducted with the executive director of the Keweenaw Industrial Council. He commented favorably concerning this bank's performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio averaged 72% over the past eight quarters. The average loan-to-deposit ratios of four other banks of similar size located in the assessment area ranged from 31% to 79% over the same period. One bank had a higher average ratio than Superior National Bank & Trust Company.

Lending in the Assessment Area:

A large majority of loans are in the assessment area as shown by the following table:

Percent of Outstanding Loans in the Assessment Area	Dollar Amount of Loans	Number of Loans
Commercial Loans	98%	96%
Residential Real Estate Loans	90%	91%
Consumer Loans	94%	93%

Our analysis of outstanding balances is considered a reasonable proxy of loan originations. A comparison of zip code and BNA boundaries indicated they are roughly comparable. Due to this, the locations of the above customers were determined using their zip code as a proxy for the BNA address.

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

The bank does a good job of lending to borrowers of different incomes and to businesses of different sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to several million dollars. A random sample of 65 customer files, for commercial loans originated since our previous evaluation, indicates the following breakdown of annual revenues.

Annual Revenue	<\$100M	\$101M - \$500M	\$501M - \$1MM	>\$1MM
# of Loans	29	27	4	5
Percent	45%	41%	6%	8%

As indicated above, a significant majority of the bank's commercial loans are made to small businesses having less than \$1 million in annual revenue.

The following table is per an analysis of the 103 loan files reviewed during our examination of the bank's compliance with consumer laws and regulations. These files were for unsecured and secured consumer loans and also residential real estate mortgage products. These customers were randomly selected from all consumer loans originated since June 30, 1996.

Family Income Level of Borrower	Low-Income	Moderate-Income	Middle-Income	Upper-Income
# of Loans	44	42	13	4
Percent of Loans	43%	41%	12%	4%
Percent of Families in Assessment Area	26%	22%	22%	30%

As indicated by the above table, the percentage of loans made to low- and moderate-income borrowers is significantly larger than the actual percent of these families located in the assessment area.

Geographic Distribution of Loans:

Our analysis of the loan portfolio indicates there is a good geographic distribution of customers throughout the assessment area. The bank has branches in three of the five moderate-income BNA's which provide access to credit products. The new branch in Calumet is also reasonably close to the moderate-income BNA's located in Keweenaw County.

Income Level of BNA	Percent Located in Moderate-Income BNA's	Percent Located in Middle-Income BNA's
Residential Real Estate Mortgage Customers	41%	59%
Consumer Loan Sample Customers*	36%	64%
Number of Families in the Assessment Area	31%	69%

* This is the same sample previously discussed, with residential real estate mortgage customers excluded as they are counted above.

A larger percentage of loans are made to residential real estate mortgage borrowers located in the moderate-income BNA than the percentage of families that live there. The number of sample consumer loans reviewed that are located in the moderate-income area also exceeds the percentage of families that live there.

Other:

No violations were found during our review of the bank's compliance with antidiscrimination laws and regulations.