

PUBLIC DISCLOSURE

May 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank of Howards Grove
RSSD# 650843

211 N. Wisconsin Dr.
Howards Grove, WI 53083-1199

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

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.

TABLE OF CONTENTS

Institution’s CRA (Community Reinvestment Act) Rating	1
Description of Institution.....	1
Description of Assessment Area.....	2
Conclusions with Respect to Performance Criteria:.....	5
Loan-To-Deposit Ratio.....	5
Lending in the Assessment Area.....	6
Lending To Borrowers of Different Incomes and to Businesses and Farms of Different Sizes	7
Geographic Distribution of Loans.....	11
Response to Complaints	12
Fair Lending.....	12
Appendix A.....	13

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **satisfactory**.

The State Bank of Howards Grove meets the standards for satisfactory performance under the Community Reinvestment Act. Its loan-to-deposit ratio is higher than its national peer average and comparable to local competitors. The majority of the institution's loans are to borrowers residing within its assessment area, and its distribution of loans reflects reasonable penetration among borrowers of different income and revenue levels. The geographic distribution of loans is considered satisfactory given the location and degree of lending to moderate-income tracts. There were no CRA-related complaints received by the institution or this Reserve Bank since the prior examination. Overall, the State Bank of Howards Grove adequately promotes economic growth in its assessment area consistent with its size, financial stability, and location.

The institution was rated **satisfactory** at its previous evaluation conducted on April 5, 1999.

DESCRIPTION OF INSTITUTION

State Bank of Howards Grove (SBHG) is a wholly owned subsidiary of Eastern Wisconsin Bancshares, a one-bank holding company. According to the Uniform Bank Performance Report, the institution had \$101 million in assets as of December 31, 2002. SBHG maintains one full-service banking facility and one full-service automated teller machine(ATM) in Howards Grove, as well as a loan production office in Beaver Dam. The bank also operates 10 cash-dispensing ATMs located at Kohler Corporation (6), Lakeland College (1), a grocery store (1), Lear Corporation (1), and a hardware store (1). The six ATMs at the Kohler location and the one at the Lear location serve employees of these manufacturers and are not available to the general public. A drive-up facility offering extended hours is located at the Howards Grove office. As a member of "ATM Access," SBHG has an agreement with other financial institutions throughout Wisconsin that allows cardholders of member institutions to use each others ATMs at no cost.

SBHG offers standard deposit products, including personal and commercial checking accounts, standard savings accounts, money market accounts, individual retirement accounts (IRAs), and commercial savings accounts. Loan products include fixed and variable rate home mortgage loans and refinances, home construction, home equity loans and lines of credit, commercial and agricultural loans. SBHG also offers Medical Savings Accounts. These are accounts into which a customer can deposit and accumulate funds to be used for medical expenses. Contributions and interest earned on these funds are tax exempt, thereby offering consumers an excellent opportunity for tax reduction and affordable out of pocket expenses associated with medical care. SBHG is the second largest provider of Medical Savings Accounts in the country.

SBHG's group, as defined by the December 31, 2002, Uniform Bank Performance Report, includes all commercial banks located in a metropolitan area having assets between \$50 million

and \$100 million with two or fewer banking offices. The bank's local competitors for loans and deposits include a branch of the Kohler Credit Union, Community Bank & Trust (Sheboygan), First Superior Credit Union (Sheboygan), Cleveland State Bank (Cleveland), and a number of larger institutions. SBHG holds 5.34% of all federally insured deposits in Sheboygan County, and 3.05% of all federally insured deposits in Sheboygan and Manitowoc Counties combined. This places SBHG as the sixth largest deposit holder out of seventeen federally insured deposit accepting institutions in Sheboygan County, and the eighth largest deposit holder out of twenty-five deposit accepting institutions in Sheboygan and Manitowoc Counties combined.

Exhibit # 1			
Outstanding Loan Mix of State Bank of Howards Grove Compared to National Peer Group			
Loan Type	Total Assets as of 12/31/02 (\$ in 000s)	Loan Type as Percentage of Aggregate Loans and Leases	
		SBHG	Peer
<u>Real Estate Secured Loans</u>			
Construction/Development	\$2,863	3.02%	9.50%
Farmland	\$5,638	11.22%	2.54%
1-4 Family	\$20,936	38.16%	26.73%
Multifamily	\$499	1.08%	2.79%
Nonfarm Nonresidential	<u>\$10,573</u>	<u>16.45%</u>	<u>25.73%</u>
Total Real Estate	\$40,509	69.93%	67.29%
Financial Institution Loans	\$2,400	1.22%	0.0%
Agricultural Loans	\$1,934	6.54%	2.33%
Commercial and Industrial Loans	\$5,791	15.51%	19.53%
Loans to Individuals	\$5,844	11.42%	7.80%
Municipal Loans	\$81	4.28%	1.83%
All Other Loans	\$31	3.74%	1.22%
Gross Loans	\$56,590	100.0%	100.0%

DESCRIPTION OF ASSESSMENT AREA

An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas. 1990 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.

SBHG's assessment area, shown in Appendix A on page 13, remains unchanged since the previous examination, and consists of seventeen census tracts in the Sheboygan Metropolitan Statistical Area (MSA) and two census tracts in Manitowoc County. Of these nineteen, two are moderate-, fourteen are middle-, and three are upper-income tracts. Eleven of the seventeen

census tracts, including both moderate-income tracts, are in the city of Sheboygan. SBHG’s only office is located in the Sheboygan MSA, approximately 50 miles north of Milwaukee.

Population Changes

According to 1990 U.S. Bureau of Census data, SBHG’s assessment area has a population of 89,412. Preliminary results from the 2000 census indicate that the population of the tracts that form the assessment area has increased to 95,786. This translates into a 7.1% growth rate, which is slightly lower than the State of Wisconsin’s growth rate of 9.6%. Sheboygan County has experienced the most significant growth of the two counties in the assessment area. From 1990 to 2000, the populations in Sheboygan and Manitowoc Counties grew 8.4% and 3.1%, respectively. The population of Howards Grove increased from 2,329 in 1990 to 2,792 in 2000, representing a growth rate of 19.9%. The growth in population has corresponded with a generally strong economy in the area over the ten-year time period, including an increase in median family income.

Income Characteristics

Exhibit 2 compares the income levels for the assessment area to those of the Sheboygan MSA, non-metro areas of Wisconsin, and the state of Wisconsin, based on 1990 U.S. Bureau of Census data. The 2002 HUD adjusted median family income is \$62,700 for the Sheboygan MSA, \$50,800 for non-metro Wisconsin, and \$59,200 for the State of Wisconsin, representing increases of 70.8%, 67.7%, and 68.8%, respectively, since 1990. The 2002 HUD adjusted median family income for the assessment area is not yet available. The exhibit indicates that the median family income and distributions of families among different income levels are comparable for all locations.

Exhibit # 2						
Distribution of Families by Income Level						
Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	\$36,785	15.0%	19.4%	29.9%	35.7%	4.9%
Sheboygan MSA	\$36,707	14.7%	19.6%	31.2%	34.5%	4.5%
Non- Metro WI	\$30,290	17.6%	19.5%	25.5%	37.5%	7.6%
State of WI	\$35,082	17.9%	18.8%	26.5%	36.9%	7.6%

Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.

Housing Characteristics and Affordability

According to the 1990 U.S. Bureau of Census data, the assessment area contains 35,902 housing units, of which 65.1% (23,358) are owner occupied. Only 5.2% (1,880) of the units are vacant, and the remaining 29.7% (10,664) are rental units. The Sheboygan MSA's housing stock also has a 5.2% vacancy rate, compared to state and non-metro area rates of 11.4% and 22.9%, respectively. The low number of vacant units in the assessment area indicates a strong housing market fueled, in part, by growth in the population. The median age of the housing stock in the assessment area is 34 years. The median age of the housing stock in the Sheboygan MSA and the state are slightly higher at 40 and 39 years, respectively. Housing stock in the non-metro area is slightly newer than in the assessment area, with a median age of 30 years. Median housing values for the assessment area, the Sheboygan MSA, the State, and the non-metro areas are \$58,857, \$59,187, \$62,141, and \$50,092, respectively. Data from the Wisconsin Realtors Association indicates that the median sales price for houses in the Sheboygan MSA was \$108,200 in 2001. Sales information for Manitowoc County is not available.

Affordability ratios, developed by dividing the median family income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. The affordability ratios for the assessment area, the Sheboygan MSA, the State, and the non-metro areas are 62.5, 62.0, 56.5, and 60.5, respectively, indicating that housing is generally more affordable in the assessment area.

Labor and Employment

Data from the Wisconsin Department of Workforce Development indicates that the Sheboygan MSA and Manitowoc County have unemployment rates (not seasonally adjusted) of 5.3% and 8.3%, respectively, as of March 2003. The State's unemployment rate is 6.5%. These figures have declined slightly from their March 2002 levels of 6.0%, 8.4%, and 6.5% for the Sheboygan MSA, Manitowoc County, and the State, respectively. The moderate improvements indicate modest strengthening in the labor market; however, community representatives contacted during the examination indicated that jobs are still scarce. Major employers in the assessment area are listed in Exhibit 3.

Exhibit # 3 – Major Employers in the Assessment Area

Exhibit # 3			
Major Employers in the Assessment Area			
Company	Location	Employees	Description
Kohler Co	Kohler	1000+	Produces enameled iron and metal sanitary ware.
Bemis Mfg. Co	Sheboygan Falls	1000+	Produces plastic products
Sheboygan Public School	Sheboygan	1000+	Elementary and secondary schools
County of Sheboygan	Sheboygan	1000+	Executive and legislative offices
J L French Corp	Sheboygan	1000+	Produces aluminum die-castings
Aurora Health Care Central Inc.	Milwaukee	1000+	Medical and surgical hospitals
Fisher Hamilton LLC	Two Rivers	1000+	Laboratory apparatus and furniture
Holy Family Memorial Group	Manitowoc	1000+	Medical and surgical hospitals
Sargento Foods	Kiel & Plymouth	500-999	Cheese products

Source: Wisconsin Department of Workforce Development, March 2002

Community representatives contacted during the examination to determine the credit needs of the assessment area also indicated that local financial institutions are active and are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank’s loan-to-deposit ratio, the percentage of loans and other lending-related activities located in the bank’s assessment area, the record of lending to borrowers of different income and farms and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the above standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank’s assessment area.

Loan-to-Deposit (LTD) Ratio

The bank’s average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank’s capacity to lend, competitor and peer loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.

The bank's LTD ratio meets the standards for satisfactory performance under this criterion. Exhibit 4 shows ratios for the bank, its peer group, and two competitors for the eight-quarters ending December 31, 2002. The sharp decline in the LTD between March and June of 2002 is the result of SBHG's purchase of approximately \$20 million in Medical Savings Accounts; however, the LTD has been increasing since the purchase.

Exhibit # 4 – LTD Ratios

Exhibit # 4									
LTD Ratios									
Bank Name, City, 12/02 Assets \$(Millions)	3/01 (%)	6/01 (%)	9/01 (%)	12/01 (%)	3/02 (%)	6/02 (%)	9/02 (%)	12/02 (%)	Avg.
Community Bank & Trust, Sheboygan, \$308	91.3%	93.5%	93.7%	94.2%	94.5%	95.3%	94.6%	95.3%	94.05%
State Bank of Howards Grove, Howards Grove, \$101	99.2%	95.4%	95.0%	84.6%	80.7%	55.0%	65.3%	66.6%	80.2%
Peer Group	75.6%	76.0%	76.1%	76.1%	75.1%	76.4%	75.9%	76.0	75.9%
Cleveland State Bank, Cleveland, \$39	69.6%	65.7%	65.1%	59.9%	57.0%	58.4%	63.15	54.72	61.7%

Lending in the Assessment Area

To assess the extent of lending within the assessment area, the following were reviewed: direct installment loans, home equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product was March 1, 2002 to February 28, 2003, except HMDA data, which consisted of the calendar years 2001 and 2002. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

Overall, residential real estate, agricultural, commercial, and consumer lending within the bank's assessment area meets the standards for satisfactory performance under this criterion.

The majority of SBHG's loans are originated within the assessment area. The distribution of a sample of the bank's primary loan products, originated during the twelve-month period ending February 28, 2003, as well 2001 and 2002 residential real estate data, is illustrated in Exhibit 5.

Exhibit # 5 Distribution of Loans in/out of Assessment Area (AA)			
Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
2001 Residential Real Estate (1)	56	42	75.0%
2002 Residential Real Estate (2)	95	70	73.7%
Agricultural	15	12	80.0%
Commercial	65	49	75.4%
Consumer	135	117	86.7 %
Totals	366	290	79.2%

(1)Based on 2001 HMDA data.

(2)Based on 2002 HMDA data.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The distribution of loans among borrowers of different income levels was determined by reviewing direct installment loans, home equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product was March 1, 2002 to February 28, 2003, except HMDA data, which consisted of the calendar years 2001 and 2002. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

The loan distribution across borrowers of different income levels and farms and businesses of different sizes meets the standards for satisfactory performance under this criterion.

The distribution of SBHG's loans reflects reasonable penetration among borrowers of different income and revenue levels, as supported by a review of residential real estate, agricultural, and commercial loan data.

Residential Real Estate Loans

Exhibits 6 and 7 show the distribution of the sample of 1-4 family residential real estate loans, originated during 2001 and 2002, by income level. As shown, the percentage of loans to low- and moderate-income borrowers in 2001 was 4.8% and 33.3%, respectively. In 2002 the percentage of loans to low- and moderate-income borrowers was 14.3% and 20.0%, respectively. Although the percentage of loans to low-income borrowers in 2001 is significantly lower than the percentage of loans to that income designation in 2002, it is only slightly lower than the aggregate figure in 2001, which was at 7.2%. (Aggregate lending data consists of all originations by all HMDA-reporting lenders in the assessment area except SBHG.) This

indicates that SBHG was lending to low-income borrowers at a rate similar to that of all lenders in the area. SBHG's lending to moderate-income families in 2001 exceeded aggregate lending to that income group, which was at 18.9%. Aggregate lending data for 2002 is not yet available. SBHG's lending to low- and moderate-income families meets the standards for satisfactory performance under this criterion.

Exhibit # 6			
Loan Distribution of Residential Real Estate Loans by Income Level (2001)			
Income Level	Total Number of Loans(1)	Percent of Total Loans(2)	Percent of Families in Assessment Area
Low	2	4.8%	15.0%
Moderate	14	33.3%	19.4%
Middle	15	35.7%	29.9%
Upper	5	11.9%	35.7%
N/A(3)	6	14.3%	0.0%
Totals	42	100.0	100.0

(1) Based on 2001 HMDA data.

(2) HUD's estimated 2002 median family income was used to determine the income level of the applicants.

(3) Borrowers for whom income is not available.

Exhibit # 7			
Loan Distribution of Residential Real Estate Loans by Income Level (2002)			
Income Level	Total Number of Loans(1)	Percent of Total Loans(2)	Percent of Families in Assessment Area
Low	10	14.3%	15.0%
Moderate	14	20.0%	19.4%
Middle	20	28.6%	29.9%
Upper	23	32.8%	35.7%
N/A(3)	3	4.3%	0.0%
Totals	70	100.0	100.0

(1) Based on 2002 HMDA data.

(2) HUD's estimated 2002 median family income was used to determine the income level of the applicants.

(3) Borrowers for whom income is not available.

Agricultural and Commercial Loans

The distribution of commercial and agricultural loans reflects a reasonable penetration among small businesses and small farms. The distribution, based on information from the Consolidated Reports of Condition as of June 30, 2001, and June 30, 2002, respectively, is shown in Exhibits 7, 8, 9 and 10.

Exhibit # 7		
Distribution of Small Farm Loans (2001)		
Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (000's)
Loans Secured by Farmland		
Less than or equal to \$100,000	16	\$666
Greater than \$100,000 through \$250,000	10	\$1,347
Greater than \$250,000 through \$500,000	9	\$2,924
Total	35	\$4,937
Loans to Finance Agricultural Production and Other Loans to Farmers		
Less than or equal to \$100,000	42	\$795
Greater than \$100,000 through \$250,000	1	\$62
Greater than \$250,000 through \$500,000	2	\$464
Total	45	\$1,321
Loans Secured by Farmland and Loans to Finance Agricultural Production and Other Loans to Farmers		
Grand totals	80	\$6,258

Exhibit # 8		
Distribution of Small Farm Loans (2002)		
Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (000's)
Loans Secured by Farmland		
Less than or equal to \$100,000	13	\$426
Greater than \$100,000 through \$250,000	14	\$1,867
Greater than \$250,000 through \$500,000	7	\$2,471
Total	34	\$4,764
Loans to Finance Agricultural Production and Other Loans to Farmers		
Less than or equal to \$100,000	41	\$832
Greater than \$100,000 through \$250,000	2	\$249
Greater than \$250,000 through \$500,000	3	\$545
Total	46	\$1,626
Loans Secured by Farmland and Loans to Finance Agricultural Production and Other Loans to Farmers		
Grand totals	80	\$6,390

As Exhibit 7 shows, 2001 originations in the \$100,000 or less category represent 72.5% of the number and 23.4% of the dollar amount of small farm loans. Small farm loans represent 93.8% of the bank's agricultural loan portfolio. Exhibit 8 shows that 2002 originations in the \$100,000 or less category represent 67.5% of the number and 19.7% of the dollar amount of small farm loans.

Exhibit # 9		
Distribution of Small Business Loans (2001)		
Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (000's)
Loans Secured by Non-Farm Nonresidential Properties		
Less than or equal to \$100,000	23	\$968
Greater than \$100,000 through \$250,000	9	\$1,008
Greater than \$250,000 through \$1 million	9	\$4,226
Total	41	\$6,202
Commercial and Industrial Loans		
Less than or equal to \$100,000	91	\$1,905
Greater than \$100,000 through \$250,000	8	\$1,052
Greater than \$250,000 through \$1 million	6	\$2,104
Total	105	\$5,061
Loans Secured by Non-Farm Nonresidential Properties and Commercial and Industrial Loans		
Grand totals	146	\$11,263

Exhibit # 10		
Distribution of Small Business Loans (2002)		
Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (000's)
Loans Secured by Non-Farm Nonresidential Properties		
Less than or equal to \$100,000	21	\$827
Greater than \$100,000 through \$250,000	9	\$813
Greater than \$250,000 through \$1 million	10	\$5,012
Total	40	\$6,652
Commercial and Industrial Loans		
Less than or equal to \$100,000	100	\$1,887
Greater than \$100,000 through \$250,000	10	\$1,229
Greater than \$250,000 through \$1 million	6	\$69
Total	116	\$3,185
Loans Secured by Non-Farm Nonresidential Properties and Commercial and Industrial Loans		
Grand totals	156	\$9,837

As Exhibit 9 reflects, 2001 small business loan originations in the \$100,000 or less category represent 78.1% of the number and 25.5% of the dollar amount of small business loans. Exhibit 10 shows that 2002 originations in the \$100,000 or less category represent 77.6% of the number and 27.6% of the dollar amount of small business loans. Small business loans represent 94.8% of the bank's commercial and industrial loan portfolio.

According to community contacts, local financial institutions are meeting the needs of the farmers and business owners in the area.

Other Lending Related Activities

SBHG offers several loan products aimed at serving small businesses and farms. A relationship with the Farm Service Agency (FSA) exists where SBHG extends credit to farmers who have had recent financial setbacks, or are unable to obtain traditional credit. The FSA guarantees up to 80% or 90% of the loan. The FSA actually makes the credit decision and then approaches SBHG to see if the institution is willing to supply the funds. SBHG also has a relationship with the Wisconsin Housing and Economic Development Association (WHEDA) to originate one-year loans for operating expenses. These loans, which are guaranteed by WHEDA, help small businesses and farms that are unable to secure traditional financing for a particular year's operating expenses. The loans must be repaid in a one-year period, and a borrower cannot apply for a loan in consecutive years. Farm Service Agency and WHEDA loans and dollar amounts originated since the previous examination are shown in Exhibit 11.

Exhibit # 11 – Other Lending Related Activities

Exhibit # 11		
Other Lending Related Activities		
Government Subsidized Programs	Number	Original Dollar Amount
Farm Service Agency	7	\$1,575,500
WHEDA	9	\$506,175

Geographic Distribution of Loans

The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: direct installment loans, home equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product was March 1, 2002 to February 28, 2003, except HMDA data, which consisted of the calendar years 2001 and 2002. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.

Given the demographics of the bank's assessment area, the geographic distribution of loans meets the standards for satisfactory performance under this criterion.

As previously mentioned, the assessment area contains two moderate-, fourteen middle-, and three upper-income census tracts. An analysis was conducted to determine whether the geographic distribution of SBHG's lending represented an adequate level of service in the assessment area. As Exhibit 12 shows, 5.2% of the total loans sampled were extended to borrowers located in the moderate-income tracts, both of which are located in the City of Sheboygan. The moderate-income tracts account for 10.5% of the entire assessment area.

Exhibit # 12								
Geographic Distribution of Loans								
Loan Type	Moderate Tracts		Middle Tracts		Upper Tracts		N/A(1)	
	# of Loans	%of Loans	# of Loans	% of Loans	# of Loans	% of Loans	# of Loans	% of Loans
2001 Residential Real Estate(2)	6	14.3%	34	81.0%	2	4.8%	0	0.0%
2002 Residential Real Estate(3)	4	5.7%	45	64.3%	21	30.0%	0	0.0%
Agriculture	0	0.0%	6	50.0%	6	50.0%	0	0.0%
Commercial	4	8.2%	30	61.2%	12	24.5%	3	6.1%
Consumer	1	0.9%	78	66.7%	35	29.9%	3	2.6%
Total	15	5.2%	193	66.6%	76	26.2%	6	2.1%

(1)Borrowers for whom tracts are unknown.

(2)Based on 2001 HMDA data.

(3)Based on 2002 HMDA data.

The percentage of loans in the moderate-income tracts is considered adequate. The samples of 2001 and 2002 residential real estate loans were used to determine whether SBHG was lending in either of the moderate tracts. The City of Sheboygan, which contains nine middle-income tracts in addition to the two moderate tracts, was the location used for the analysis. In the eleven tracts a total of sixteen residential real estate loans were made in 2001. Six of these sixteen (40%) residential real estate loans were extended to borrowers located in the moderate-income geographies. In 2002, four out of fifteen (26.7%) residential real estate loans extended in the City of Sheboygan were to borrowers located in the two moderate-income tracts. The fact that the two moderate tracts, which represent 18.2% of the City of Shebyogan, contained 40% and 26.7% of residential real estate loans extended by SBHG in 2001 and 2002, respectively, demonstrates that SBHG is not excluding these tracts.

Complaints

Neither SBHG nor this Reserve Bank has received any CRA-related complaints since the previous examination.

Fair Lending

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and that these are being consistently applied to all applicants. No evidence of prohibited discriminatory credit practices was detected.

APPENDIX A
STATE BANK OF HOWARDS GROVE – Howard Grove, WI (RSSD# 650843)
Assessment Area 2003

