



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

February 21, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winona National Bank  
Charter Number: 10865

204 Main Street  
Winona, MN 55987-0000

Office of the Comptroller of the Currency

Minneapolis Field Office  
222 South Ninth Street  
Minneapolis, MN. 55402-3393

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Summarize the major factors supporting the institution's rating.

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans within its assessment area.
- The bank has a reasonable distribution of credit among businesses of different sizes and an excellent distribution of credit among residential real estate borrowers of different income levels.
- The bank demonstrates satisfactory responsiveness to community development needs in its assessment area through community development loans, investments, and services.

**Scope of Examination**

We assessed Winona National Bank's (WNB) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA). WNB's CRA examination evaluated the bank's lending and community development performance from January 1, 2008 through December 31, 2011. For the lending test, the analysis is based on a review of the bank's loan originations in 2009, 2010 and 2011 to determine primary products. The table below depicts the volume of loans originated during this time period.

<b>WNB Loan Originations in 2009, 2010 and 2011</b>		
<i>Loan Type</i>	<i>Volume by \$</i>	<i>Volume by #</i>
Business Loans	34%	11%
Home Mortgage Loans	62%	52%
Consumer Loans	2%	37%
Agricultural Loans	2%	.01%

*Based on originations provided by the bank*

For purposes of this evaluation, the primary loan types are business loans and residential real estate loans. These products represent 96% of the dollar volume and 63% of the number of loans originated. We selected a random sample of 20 loans from each primary product to conduct our analysis.

The evaluation period for community development (CD) activity is January 1, 2008 through December 31, 2011. We reviewed the banks community developments loans, investments, and services based on information provided by bank management. We used only those that met the regulatory definition for community development in our analysis.

## **Description of Institution**

WNB is a \$303 million bank located in Winona, MN. WNB has three locations, all in Winona, and six 24-hour ATM's. Of the six ATM's, three are deposit-taking and located at each branch. The city of Winona is described as a historic island city, nestled between the covered limestone river bluffs and the mighty Mississippi River.

WNB offers a variety of deposit and loan products with residential real estate and commercial loans being the primary focus. As of December 31, 2011 WNB reported outstanding loans (by dollar amount and percent of loans) in the following categories: commercial (\$78,925M or 63%), residential real estate (\$24,785M or 20%), consumer (\$4,967 or 4%) and other loans (\$16,987M or 13%). Net loans and leases are 44.58% of average assets.

The bank is 100 percent owned by Winona Banc Holding Company, a single bank holding company, located in Winona, Minnesota.

There are no financial, legal or other factors that impede WNB's ability to meet its CRA obligations. The banks last CRA rating, dated November 13, 2007, was "Satisfactory".

## **Description of Assessment Area**

WNB's assessment area (AA) includes most of Winona County in Minnesota and parts of Buffalo and Trempealeau Counties in Wisconsin. The AA contains a total of 12 census tracts (CT) (9 in Minnesota and 3 in Wisconsin). Based on 2000 census information, 10 of the CT's are middle-income and 2 are upper-income. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies. For analysis purposes we relied on information from the Minnesota AA as 77% of the population is located in the Minnesota CT's. Total population in the AA is 55,923 persons. The table below details the demographic and economic characteristics of the Minnesota AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE MN AA	
<i>Population</i>	
Number of Families	10,552
Number of Households	17,159
% of Low-Income Families	13.53%
% of Moderate-Income Families	18.27%
% of Middle-Income Families	25.54%
% of Upper-Income Families	42.66%
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	77.78%
% Upper-Income Census Tracts/BNA	22.22%
NA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$50,314
2011 HUD-Adjusted MFI	\$59,200
<i>Economic Indicators</i>	
2010 Unemployment Rate(Winona County)	6.9%
2011 Median Housing Value	\$99,083
% of Households Below Poverty Level	12.51%

Source: 2000 U.S. Census

Bank competition in the AA is strong with 9 financial institutions having offices in Winona, Buffalo and Trempealeau Counties. Based on the June 30, 2011 FDIC Deposit Market Share Report, WNB holds 24.87% of the market share of deposits in the AA. WNB ranks 2nd amongst its competitors for market share.

Our community contact indicated that the local financial institutions are active in the community and have a positive impact in the AA. Most notably the financial institutions are financing the needs of the local small businesses. Through their financing efforts small businesses have managed to thrive in the AA despite the current economic conditions. The contact also noted that residential and consumer financing needs are equally being met.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the lending test is Satisfactory. The information detailed in the tables on the following pages support our conclusion.

#### Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the size, financial condition, AA needs, and local economic conditions. Over the past 17 quarters, since the bank's last CRA examination, the bank's quarterly LTD ratio averaged 66.02%. The LTD ratio has ranged from as high as 83.98% to as low as 53.52%.

The table below compares WNB's LTD ratio with five other similarly situated financial institutions in the area. The LTD ratios of these institutions range from 69.67% to 120.54%.

Loan-to-deposit Institution	Assets as of 12/31/11 (\$000s)	Average LTD Ratio (%)
Merchants Bank, National Association	1,241,069	84.16%
Eastwood Bank	554,616	84.42%
<b>Winona National Bank</b>	<b>279,195</b>	<b>66.02%</b>
Security State Bank of Lewiston	65,997	69.67%
Altura State Bank	46,641	77.48%
Minnesota First Credit and Savings	29,578	120.54%

Source: OCC Financial Institution Data Retrieval System (FINDRS)

#### Lending in Assessment Area

A majority of WNB's loans were originated inside the AA. WNB originated 75% by number and 67% by dollar volume of sampled loans inside the AA. The following table illustrates lending activity during 2009, 2010, and 2011.

Lending in WNB's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	13	65.00	7	35.00	20	1,826,406	64.00	1,026,500	36.00	2,852,906
Commercial	17	85.00	3	15.00	20	2,598,143	68.00	1,197,822	32.00	3,795,965
Totals	30	75.00	10	25.00	40	4,424,549	67.00	2,224,322	33.00	6,648,871

Source: OCC Loan Sample

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

WNB has an excellent distribution of credit among residential real estate borrowers of different income levels based on 2000 census information. The following table compares the percentage of families based on income level located within the AA to those loans made by the bank from the selected loan sample of 20 residential real estate loans.

<b>Borrower Distribution of Residential Real Estate Loans in WNB's AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential Real Estate	13.53%	15%	18.27%	25%	25.54%	20%	42.66%	40%

Source: OCC Loan Sample and 2000 U.S. Census Data

WNB has a reasonable distribution of credit among businesses of different sizes. Based on a random sample of 20 commercial files, 49% of dollar volume and 70% of the number of loans are to businesses with revenues of \$1 million or less. This is comparable to the 70.13% of businesses in the AA having revenues of \$1 million or less. The following table illustrates the bank's borrower distribution of business loans in the AA.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.13%	3.25%	26.61%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0%	100%
% of Bank Loans in AA by \$	49.00%	51.00%	0%	100%

Source: OCC Loan Sample and 2011 Geo Demographic Data

**Geographic Distribution of Loans**

The geographic distribution of loans does not provide a meaningful analysis as none of the CTs in the bank's AA are defined as low- or moderate-income CTs.

**Responses to Complaints**

The bank did not receive any CRA related complaints during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in the AA demonstrates reasonable responsiveness to the needs of the community.

### **Number and Amount of Community Development Loans**

WNB originated seven qualifying community development loans during the evaluation period totaling \$4 million. Loans were made to seven different organizations which target low- or moderate-income individuals.

### **Number and Amount of Qualified Investments**

WNB made 85 donations totaling \$321,056. Most of the donations were to organizations that provide services to low- to moderate-income individuals such as Habitat for Humanity, Saint Anne of Winona, Ready Set School, and the Winona Community Foundation.

### **Extent to Which the Bank Provides Community Development Services**

WNB's community development services activities are adequate. Bank services are accessible to individuals of different income levels. WNB offers internet and telephone banking in addition to providing deposit taking ATMs at each of its branch locations for added availability to accounts and products. Twelve bank employees provide financial services expertise to 15 different organizations.

### **Responsiveness to Community Development Needs**

As evidenced by the participation in community development activities, the bank is responsive to the needs of affordable housing and low and moderate income community services.

### **Fair Lending or Other Illegal Credit Practices Review**

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