



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winona National Bank
Charter Number: 10865

204 Main Street
Winona, MN 55987

Office of the Comptroller of the Currency

Minneapolis South
920 Second Avenue South Suite 800
Minneapolis, MN 55402

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.

The major factors that support this rating include:

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

SCOPE OF EXAMINATION

We evaluated Winona National Bank's (WNB) Community Reinvestment Act performance under the Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed lending data for the bank's primary loan products, residential real estate, and commercial loans. Based on total loan originations from January 1, 2005 through September 30, 2007, residential real estate loans totaled 15% of the loan portfolio by number and 40% by dollar volume. Commercial loan originations comprised 10% of the portfolio by number and 40% by dollar.

The Community Development test covers the period from the date of the previous CRA examination, January 3, 2005, and extends through September 30, 2007. We reviewed the bank's community development 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 \$255 million bank headquartered in Winona, MN. Winona has a population of 26,641 and is located 54 miles east of Rochester, MN. WNB has three full-service branches located in Winona, Minnesota. WNB offers telephone and Internet banking to its customers. These services provide customers with 24-hour access to deposit and loan account information and allow customers to make transfers between accounts. WNB owns six ATMs which are located at the Midtown Foods/Downtown, Winona State University, Winona Health campus, and one at each of their branches. The ATMs at the branches are deposit-taking ATMs. WNB is owned by Winona Banc Holding Company, a single-bank holding company. As of September 30, 2007, Winona Banc Holding Company had \$255 million in total assets.

WNB offers a wide range of loan and deposit products which are designed to meet the community's needs. As of September 30, 2007, loans equaled 64.4% of total assets. The bank's main credit products are residential real estate and commercial loans. The table below breaks down the loans originated from January 1, 2005 through September 30, 2007 by dollar volume and number of loans.

	Percent of Portfolio by Dollar	Percent of Portfolio by Number of Loans
Residential Real Estate Loans	40%	15%
Commercial Loans	40%	10%
Consumer Loans	16%	75%
Other	4%	< 1%

There are no financial, legal or other factors that impede WNB's ability to meet its CRA obligations. The bank's last CRA rating, dated January 3, 2005, 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 with a combined population of 53,000 people. Of the 11 census tracts (CTs) in the AA, nine (81.8%) are designated middle income, and two (18.2%) are designated upper-income. WNB's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 2000 U.S. Census information, 74.69% of the AA's population live in middle-income CTs and 25.31% live in upper-income CTs. The 2000 median family income for the non-MSA area of Minnesota was \$49,897. Based on the Department of Housing and Urban Development's 2007 estimate, the updated median family income for the non-MSA is \$54,700.

The 2000 U.S. Census data shows that 2,361 households (11.67 %) within the AA are below the poverty level. In 2004, the U.S. Census Bureau estimated that the State of Minnesota had 8.1% of its persons below the poverty level, compared to 12.7% nation-wide. By county, the percentage of the population below the poverty level is 9.7% in Winona, 9.3% in Buffalo, and 9.4% in Trempealeau.

Per the U.S. Bureau of Labor Statistics, unemployment levels were 4.9% in the State of Minnesota and 5.2% in the State of Wisconsin as of September 2007, compared to 4.7% nationwide. According to our community contact, major employers in the area include two universities, a technical college, Winona Health (Community Memorial Hospital), and Benchmark Electronics.

Bank competition in the AA is moderate. There are 21 financial institutions with a presence in WNB's AA, some of which are branches of mid-size and large banks. WNB ranks 2nd in deposit market share with 12.35% of the market based on June 2007 deposit information obtained from the Federal Deposit Insurance Corporation.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is satisfactory. This conclusion is based on our sample of residential real estate and commercial loans and other lending criteria outlined below.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 12 quarters since the previous CRA exam is 86.41%. Quarterly average loan-to-deposit ratios for similarly situated banks range from 57.70% to 101.71% over the same time frame. Similarly situated banks are banks with a presence in the AA that have total assets between \$103 and \$784 million as of September 30, 2007.

Institution	Assets in AA (as of 09/30/07)	Average Loan-to-Deposit Ratio 4Q04-3Q07
Merchants Bank, National Association	\$784 million	101.71
United Bank	\$204 million	97.67
Winona National Bank	\$255 million	86.41
Alliance Bank	\$128 million	78.07
State Bank of Arcadia	\$103 million	57.70

Lending in Assessment Area

WNB originates a majority of their loans within the AA. Based on a sample of 20 residential real estate and 20 commercial loans, WNB originated 72.5% of loans by number and 77.2% by dollar volume within the defined AA. The following table shows loans originated inside and outside their AA by number and dollar volume:

Loan Type	Number of Loans				Dollar of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Residential	13	65	7	35	1,441,955	61.1	918,400	38.8
Commercial	16	80	4	20	4,104,116	85.2	715,000	14.8
Total	29	72.5	11	27.5	5,546,071	77.2	1,633,400	22.8

Lending to Residential Real Estate Borrowers of Different Income Levels and Businesses of Different Sizes

WNB has an excellent penetration of credit among residential real estate borrowers of different income levels. 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.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level*	Low (0 - \$24,948)		Moderate (\$24,949 - \$39,917)		Middle (\$39,918 - \$59,876)		Upper (\$59,877 and over)	
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	13.44%	10%	18.28%	35%	26.47%	25%	41.81%	30%

*Per 2000 US Census Data

WNB has a reasonable penetration of lending to small businesses within the AA. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to more than a million dollars. WNB’s AA consists of a majority of businesses with revenues below \$1,000,000. However, our loan sample reflected the bank making loans to more businesses with revenue over \$1,000,000 than shown by the demographics. Bank management indicated that many smaller business credit needs are met through home equity lines or personal loans. Management also indicated that many local businesses that have grown with the bank and now have revenues over \$1,000,000. A random sample of 20 commercial loans showed the following breakdown of annual revenues.

Borrower Distribution of Loans to Businesses		
Gross Annual Revenues	< \$1,000,000	> \$1,000,000
% of AA Businesses*	58.51%	4.52%
% of Bank Loans in AA by #	60%	40%
% of Bank Loans in AA by \$	60.20%	39.80%

* Per 2007 Business Geodemographic Data; 36.97% of businesses did not report revenues

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

WNB has not received any complaints about its performance in helping meet AA credit needs during this evaluation period.

Community Development Test

WNB’s performance under the Community Development Test is Satisfactory. The bank demonstrates satisfactory responsiveness to community development needs in its AA through community development loans, qualified investments, and services.

Number and Amount of Community Development Loans

WNB originated two qualifying community development loans during the evaluation period totaling \$1.2 million. One loan provided assistance to Habitat for Humanity to purchase homes for low-income families in Winona County. The second financed working capital and expansion needs for a nursing home in Winona that assists a majority of low- and moderate-income residents. WNB also originated another community development loan for \$250 thousand to

finance operating expenses for a nursing home that serves a majority of low- and moderate-income residents in Rushford, MN. This loan was not made within the bank's AA but benefits the broader area that includes other counties adjacent to the AA.

Number and Amount of Qualified Investments

WNB made nineteen donations totaling \$50,038. Most of these donations were to organizations that provide services to low- and moderate-income individuals such as Habitat for Humanity, Saint Anne of Winona, and Ready Set School.

Extent to which the Bank Provides Community Development Services

Bank services are accessible to individuals of different income levels. While WNB does not have any branches in low-or moderate-income CTs, their branch locations are accessible to all persons. In addition, WNB also offers Internet and telephone banking and deposit taking ATMs at each of their branches for added availability to the bank's accounts and products.

Bank officers provide technical assistance and financial expertise to three organizations in MN. One emphasizes eliminating sub-standard housing and provides housing for low-income families. Another provides financial support to families affected by the floods in August 2007 and discusses long-term relief options for the county and city of Winona. The third is to provide financial knowledge/expertise when reviewing applicants for grant money for low- and moderate-income families.

WNB offers a wide range of consumer and commercial banking products and services. The bank offered no-interest loans to victims of the Southeastern Minnesota floods, an area that was declared a federal disaster area. In addition, WNB participates in a deposit product called Save for America Savings, which requires a no minimum balance and is targeted at first-time savers under the age of 18. They also offer a free checking account with no minimum balance.

Bank's Responsiveness, through Community Development Activities, to Community Development Lending, Investment, and Services Needs

Community development levels are adequate and responsive to community needs. Community development activities during this evaluation period focused on affordable housing and involvement in organizations that provide services to low- and moderate-income individuals.

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 credit needs.