



Comptroller of the Currency
Administrator of National Banks

Small Bank

Minneapolis South Field Office
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402

PUBLIC DISCLOSURE

May 24, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Winona National and Savings Bank
Charter Number 10865
204 Main Street
Winona, Minnesota 55987**

**Office of the Comptroller of the Currency
920 Second Ave. S. Suite 800
Minneapolis, MN 55402**

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 **Winona National and Savings Bank (WNSB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 24, 1999**. This evaluation is based on information from the last CRA examination dated June 6, 1996 to the current examination dated May 24, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

- C A majority (76%) of WNSB's loan originations are located within the bank's assessment area.
- C The bank's distribution of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- C WNSB's record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION:

Winona National Savings Bank is a \$134 million bank in Winona, Minnesota, located in Southeastern Minnesota. WNSB has one office, in downtown Winona with a drive-up facility and ATM at that location. WNSB's two other Automated Teller Machines (ATMs) are located in middle-income areas in the city of Winona.

WNSB is wholly owned by the \$210 million holding company, Winona Banc Holding Company. The holding company owns an affiliated state-chartered bank, Town and Country State Bank of Winona. The bank offers a wide variety of lending products. Their primary business focus is small business and residential real estate lending. The loan portfolio mix is as follows: commercial 50%, residential real estate 36%, instalment 13%, and agricultural 1%. Net loans to assets is 62.87% as of March 31, 1999.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA). A "Satisfactory" rating was received during the June 6, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREAS:

The bank's assessment area consists of the following Block Numbering Areas (BNAs): 9701 through 9708 in Winona County. Six (75%) of the BNAs in the AA are designated as middle-income and two (25%) as upper-income. There are no low- or moderate-income BNAs in the AA. The bank has excluded two BNAs from their AA due to low loan volume in these areas. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

- Ⓒ Middle-income: 9701, 9703, 9704, 9705, 9706, & 9707 in Winona County
- Ⓒ Upper-income: 9702 & 9708 in Winona County

According to 1990 census data, the total population of the bank's AA is 40,540. The 1990 (census data) and 1998 non-Metropolitan Statistical Area (MSA) statewide median family income for Minnesota were \$28,933 and \$40,500, respectively. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120%, and more than 120% are designated as moderate-, middle-, and upper-income, respectively. Within the AA, 13% of the families are low-income, 16% are moderate-income, 24% are middle-income, and 47% are upper-income. Fourteen percent of the population is below poverty level. The unemployment rate for the AA is low at 3%.

There are 15,058 total housing units in the AA, of which 69% are owner-occupied, 27% are rental-occupied, and 4% are vacant. The median age of homes in the AA is 45 years, while the median housing price is \$56,517.

Economic conditions in the AA are strong. The local economy includes manufacturing, along with service-related businesses and retail stores. Tourism and the presence of two colleges in Winona enhance Winona's economic stability. Principal employers are Benchmark Electronic, Lucas Industries, Fastenal, Winona State University, Community Memorial Hospital, Winona Clinic, and St. Mary University.

Eighty percent of the businesses in the AA have gross income of less than \$1 million with twelve percent greater than \$1 million. One hundred percent of the farms have revenues less than \$1 million.

The large number of banks, thrift institutions, and credit unions provide a high level of competition in the financial services market. Eastwood Bank and Town & Country State Bank of Winona were identified as similarly situated institutions within the AA based on asset size and/or business focus.

A community contact was made with one local Realtor during the examination. The contact identified the primary credit needs as affordable housing, rental housing, and first-time home buyer loans. The contact also indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community. Based on prior community contacts, housing rehabilitation and agricultural credit needs are also being met by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio meets the standards for satisfactory performance. The average loan-to-deposit ratio for the twelve quarters ending March 31, 1999 equals 71.82% compared to 71.02% for local similarly situated banks. During these twelve quarters, WNSB's loan-to-deposit ratio has increased from 68.47% on June 30, 1996 to 72.98% on March 31, 1999.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending within and outside the AA by dollar volume and number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$24,074,423	\$7,473,422	412	111
	76%	24%	79%	21%
Business	\$85,061,441	\$29,272,131	535	138
	74%	26%	79%	21%
Agricultural	\$434,582	\$954,891	10	12
	31%	69%	45%	55%
Consumer Instalment	\$13,413,901	\$5,500,911	1,819	613
	71%	29%	75%	25%
TOTAL	\$122,984,347	\$43,201,355	2,776	874
	74%	26%	76%	24%

Source: Bank Records (1/1/97 to 3/31/99)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels including low- and moderate-income individuals. Based on a review of all of the residential real estate loans originated within the AA, eight percent were originated to low-income borrowers and 22% originated to moderate-income borrowers.

WNSB accommodates low- and moderate-income individuals by granting small dollar personal and real estate loans. Thirty-three percent of the real estate loans originated were for less than \$25,000, 22% originated were for \$25,000 to \$49,999, 28% originated were for \$50,000 to \$99,999, and 17% originated were for \$100,000 or more.

The following tables summarize the bank’s distribution of loan originations among borrowers of different income levels:

RESIDENTIAL REAL ESTATE LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	13%	\$893,978	4%	35	8%
Moderate-income	16%	\$3,793,656	16%	90	22%
Middle-income	24%	\$5,868,372	24%	109	27%
Upper-income	47%	\$13,518,419	56%	178	43%
TOTAL	100%	\$24,074,425	100%	412	100%

Source: Bank Records (1/1/97 to 3/31/99)

WNSB’s lending levels for small business and small farm loans reflect good responsiveness to

community credit needs. Eighty percent of the small business and all of the small farm loans were made to companies and farms with annual revenues less than \$1 million. This performance is reflective of the market in which 88% of the businesses and 100% of the farms in the bank’s assessment have revenues less than \$1 million.

As detailed in the following table, a substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$50,000.

**DISTRIBUTION OF SMALL BUSINESS AND AG LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	266	50%	2	20%
\$25,000 - \$49,999	71	13%	4	40%
\$50,000 - \$99,999	70	13%	3	30%
\$100,000 - \$249,999	71	13%	1	10%
\$250,000 - \$499,999	23	4%	0	0%
\$500,000 - \$1,000,000	14	3%	0	0%
> \$1,000,000	20	4%	0	0%
TOTAL	535	100%	10	100%

Source: Bank Records (1/1/97 - 3/31/99)

GEOGRAPHIC DISTRIBUTION OF LOANS

We did not analyze the geographic distribution of loans since none of the BNAs making up the bank’s assessment area are designated as low- or moderate-income areas.

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under the CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

Our Fair Lending review consisted of a review of the rates and terms of mortgage loans extended to all applicants. No violations of the substantive provisions of the anti-discrimination laws and regulations were discovered during our examination.