



PUBLIC DISCLOSURE

April 01, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winona National Bank
Charter Number 10865

204 Main Street
Winona, MN 55987

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street
Suite 800
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 major factors supporting the institution's rating include:

- The bank originates a majority of its loans within the assessment area (AA).
- The bank's average loan-to-deposit (LTD) ratio is reasonable.
- The bank has a reasonable distribution of credit among businesses of different sizes and a reasonable distribution of credit among residential real estate borrowers of different income levels.

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 February 12, 2012 through April 1, 2015. For the lending test, we analyzed the bank's primary loan products determined based on loan originations and purchases in 2013 and 2014. The table below depicts the volume of loans originated during this time period:

WNB Loan Originations in 2013 and 2014		
<i>Loan Type</i>	<i>Volume by \$</i>	<i>Volume by #</i>
Commercial Loans	52.52%	18.05%
Residential Real Estate Loans	39.96%	33.09%
Consumer Loans	7.48%	48.73%
Agricultural Loans	0.04%	0.13%

Source: Bank loan origination report for 2013 and 2014

For purposes of this evaluation, the primary products are commercial loans and residential real estate loans. These products represent 92 percent of the dollar volume, and 51 percent of the number of loans originated. We selected a random sample of loans from each primary product to conduct our analysis.

The evaluation period for the CD activity is February 12, 2012 through April 1, 2015. We reviewed the bank's CD loans, investments, and services based on information provided by bank management.

DESCRIPTION OF INSTITUTION

WNB is a \$277 million bank chartered in Winona, MN. Winona is a southeastern Minnesota community located along the Mississippi River. WNB has three branch locations and five 24-hour ATMs, all within the city of Winona. As of March 1, 2013,

none of the ATMs accepts deposits. The ATMs are located at a local grocery store, a healthcare facility, and one at each branch location.

WNB offers a variety of traditional deposit and loan banking products. As of December 31, 2014, WNB's loan portfolio totaled \$126 million and consisted of 68 percent real estate loans, 28 percent commercial loans, 3 percent consumer loans, and 1 percent other loans. Net loans and leases are 46.71 percent of average assets.

The bank is 100 percent owned by Winona Banc Holding Company, a single bank holding company located in Winona, MN. The bank does not have any subsidiaries or affiliates.

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 February 21, 2012, was "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA(S)

WNB's 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), including nine in Minnesota and three in Wisconsin. Based on 2010 census information, 11 of the CTs are middle-income and one is upper-income. The AA is reasonable, complies with regulatory requirements, and does not arbitrarily exclude any low- or moderate-income CTs. For analysis purposes, we relied on information from the Minnesota AA, as 81% of the population is located in the Minnesota CT's. The table below details the demographic and economic characteristics of the Winona AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE WINONA AA	
Population	
Number of Families	10,383
Number of Households	17,625
% of Low-Income Families	15.47%
% of Moderate-Income Families	17.26%
% of Middle-Income Families	23.78%
% of Upper-Income Families	43.49%
Geographies	
Number of Census Tracts	9
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	88.89%
% Upper-Income Census Tracts	11.11%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$61,692
2014 HUD-Adjusted MFI	\$57,683
Economic Indicators	
2013 Unemployment Rate (Winona County)	4.60%
2010 Median Housing Value	\$160,293
% of Households Below Poverty Level	16.30%

Source: 2010 US Census with updated information when available

According to the Bureau of Labor Statistics, in 2013 the average unemployment rate for Winona County was 4.60 percent. This compares favorably to the Minnesota unemployment rate of 5.10 percent for the same time period.

The Winona economy is driven by industrial companies, several small businesses, and the presence of two universities and one technical college. This creates for a unique and diverse workforce resulting in a variety of employment opportunities.

Bank competition in the AA is strong, with nine deposit-taking financial institutions located in Winona, Buffalo, and Trempealeau counties. Based on the June 30, 2014 FDIC Deposit Market Share Report, WNB holds 21.60 percent of deposits in the AA. WNB ranks second amongst its competitors for market share.

We contacted a member of the community to gain an understanding of the credit needs of the area, and involvement of local financial institutions. The community contact indicated the local financial institutions are very active in the community, and have a positive impact on the AA. Most notably, financial institutions are supporting local charities and financing the needs of the community's small businesses. Local financial institutions continue to maintain a strong and positive presence in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

The bank's performance under the lending is satisfactory. The LTD ratio is reasonable, and the majority of loans originated were inside the bank's AA. Distribution of loans reflects reasonable penetration among borrowers of different income levels and reasonable penetration among businesses of different sizes.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, AA credit needs, and local economic conditions. Since the bank's last CRA examination, the quarterly LTD ratio averaged 57.26 percent. During the evaluation period, the LTD ratio has ranged from 53.47 percent to 61.29 percent. The table below compares WNB's LTD ratio with three other similarly situated financial institutions in the area. The LTD ratios of these institutions range from 54.43 percent to 82.01 percent.

Loan-to-deposit Ratio	Assets 12/31/14 (\$000s)	Avg. LTD 03/12- 12/14 (%)
Home Federal Saving Bank, Rochester, MN	\$576,143	82.01%
Altura State Bank, Altura, MN	\$47,757	70.17%
Winona National Bank, Winona, MN	\$277,059	57.26%
Security State Bank, Lewiston, MN	\$64,653	54.43%

Source: Call Report data as of December 31, 2014.

Lending in Assessment Area

Based on a sampling of primary products, WNB originated a majority of loans inside the AA. WNB originated 85 percent of loans by number, and 66.77 percent of loans by dollar volume within the AA. The following table illustrates lending activity during 2013 and 2014:

Lending in Winona AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RRE	17	85.00	3	15.00	20	2,435	78.56	665	21.44	3,100
Commercial	17	85.00	3	15.00	20	2,383	57.90	1,733	42.10	4,116
Totals	34	85.00	6	15.00	40	4,818	66.77	2,398	33.23	7,216

Source: Residential Real Estate and Commercial loan samples

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

WNB’s lending to borrowers of different income levels demonstrates reasonable penetration. To assess the bank’s performance, we sampled 20 residential real estate loans originated in the AA between January 1, 2013 and December 31, 2014. Based on our sample, WNB originated 30 percent of loans to low- or moderate-income borrowers. The following table shows the percentage of families by income level in the AA as compared to the loan sample:

Borrower Distribution of Residential Real Estate Loans in Winona AA								
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
RRE	15.47%	10.00%	17.26%	20.00%	23.78%	30.00%	43.49%	40.00%

Source: RRE loan sample; 2010 US Census Data

WNB’s lending to businesses of different sizes demonstrates reasonable penetration. To assess the bank’s performance, we sampled 60 commercial loans originated in the AA between January 1, 2013 and December 31, 2014. Based on our sample, WNB originated 60 percent of loans to businesses with revenue of \$1 million or less. The following table illustrates the bank’s borrower distribution of business loans in the AA:

Borrower Distribution of Loans to Businesses in the Winona AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.46%	6.25%	21.29%	100%
% of Bank Loans in AA by #	60.00%	38.33%	1.67%	100%
% of Bank Loans in AA by \$	39.70%	59.76%	0.62%	100%

Source: Commercial Loan sample; Dunn and Bradstreet Data 2014

Geographic Distribution of Loans

The geographic distribution of loans does not provide a meaningful analysis, as none of the CTs within the 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.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any

geography of the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

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