



PUBLIC DISCLOSURE

December 1, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Charter West National Bank
Charter Number 18601

201 South Main
West Point, NE 68788

Office of the Comptroller of the Currency
13710 FNB Parkway, Suite 110
Omaha, NE 68154-5298

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.

Charter West National Bank's (CWNB) lending performance reflects a satisfactory response to the needs of its assessment area (AA). This conclusion is based on the following results from our review:

- The loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AA;
- A majority of the bank's loans are originated or purchased within its AA;
- The distribution of the bank's lending to borrowers of different income levels and farm sizes is reasonable; and
- There were no complaints regarding the bank's performance in meeting the credit needs of the AA.

SCOPE OF EXAMINATION

CWNB was evaluated under the Small Bank Examination Procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test covers the bank's performance from January 1, 2012 to October 31, 2014, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

CWNB's primary loan products in the Non-Metropolitan Statistical Area AA and Metropolitan Statistical Area (MSA) AA are agricultural and residential real estate loans, respectively. We selected a sample of 20 agricultural loans originated between January 1, 2012 and October 31, 2014 from the Non-MSA AA to evaluate the bank's agricultural lending performance. We used information from the bank's Home Mortgage Disclosure Act (HMDA) reports over the same period to evaluate the bank's residential real estate lending performance.

DESCRIPTION OF INSTITUTION

CWNB is a \$200 million full-service financial institution headquartered in West Point, Nebraska. The bank is 100 percent owned by Nationwide Bancshares, Inc., a one-bank holding company. CWNB established a new full-service location in Papillion, Nebraska in April 2013 and has four other full-service locations in West Point, Walthill, Pender, and Elkhorn, Nebraska. The bank also has eight Loan Production Offices (LPOs) located in Columbus, Hastings, Elkhorn, LaVista, Grand Island, Kearney, Lincoln, and Lexington, Nebraska. All eight LPOs generate mortgage loans. The bank does not have any deposit-taking automated teller machines (ATMs).

CWNB offers a full range of deposit and loan products and services. CWNB's business strategy is community banking, specializing in agricultural and residential real estate lending. The bank sells a majority of the mortgage loans it originates on the secondary market. As of September 30, 2014, the bank's loan portfolio totaled 70 percent of total assets, and the loan-to-deposit ratio was 82 percent.

There are no legal or financial impediments to CWNB's ability to meet the credit needs of its AA. CWNB was rated "Satisfactory" at its last CRA examination dated August 6, 2009.

DESCRIPTION OF ASSESSMENT AREAS

CWNB has two assessment areas as described below.

MSA AA

The MSA AA includes the entire Omaha/Council Bluffs MSA and consists of 255 census tracts. The counties in the AA are Cass, Douglas, Sarpy, Saunders, and Washington in Nebraska and Harrison, Mills, and Pottawattamie in Iowa. The AA consists of 29 low-income, 52 moderate-income, 108 middle-income, and 65 upper-income census tracts. In addition, one census tract was not identified in any income category. The bank's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The public can obtain a map of the AA from the bank's CRA Public File.

According to the 2010 United States Census Data, the total population of the AA was 865,350. The weighted average median family income was \$71,453, and the median household income was \$58,587. Approximately 20 percent of families in the AA are low-income, 18 percent moderate-income, 23 percent middle-income, and 39 percent upper-income. Approximately 63 percent of housing units are owner-occupied, and the weighted average median housing cost for the AA is \$147,021. Ten percent of households in the Omaha/Council Bluffs MSA AA are below the poverty level.

Competition from other financial institutions in the AA is significant. The FDIC market share information as of June 30, 2014, shows 75 institutions competing for market share in the AA. CWNB ranked 65th in market share with \$18 million or 0.06 percent, of the deposits in the AA. Competitors include large local and nation-wide institutions, as well as local institutions with similar asset size and business operations.

The local economy in the MSA AA has been steadily recovering from the national economic downturn. According to the U.S. Bureau of Labor Statistics, the unemployment rate has fallen from a high of 6.0 percent in January 2010 to 3.2 percent in October 2014. The major industries in the AA are retail, services, and government/public administration.

We recently held discussions with a community contact located in Sarpy County, Nebraska. The contact indicated there are many opportunities for financial institutions involvement in the area. The main areas of opportunity are currently in community development and commercial projects as well as residential real estate lending. CWNB offers and originates these types of loans. The community contact stated local financial institutions are meeting the credit needs of the community.

Non-MSA AA

The Non-MSA AA consists of five census tracts, and includes all of Cuming and Thurston Counties. The AA consists entirely of middle-income census tracts. The bank's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The public can obtain a map of the AA from the bank's CRA Public File.

According to the 2010 U.S. Census, the total population of the AA was 16,079. The weighted average median family income was \$52,053, and the median household income was \$42,253. Approximately 21 percent of families in the AA are low-income, 19 percent moderate-income, 23 percent middle-income, and 37 percent upper-income. Approximately 63 percent of housing units are owner-occupied, and the weighted average median housing cost for the AA is \$81,881. Nearly 16 percent of households in the Thurston/Cuming County AA are below the poverty level.

Competition from other financial institutions in the AA is moderate. The FDIC market share information as of June 30, 2014, indicates there are eight deposit-taking financial institutions in the AA. CWNB ranked first in market share with \$154 million, or 23 percent, of the deposits in the AA. Primary competitors include two local banks.

The local economy in the Non-MSA AA has been relatively stable, and unemployment rates have fallen over the past year. According to statistics from the Nebraska Department of Labor, the unemployment rate in Cuming County declined from 2.7 percent to 2.1 percent between October 2013 and October 2014, and the unemployment rate in Thurston County declined from 7.2 percent to 5.7 percent over the same period. The major industries in the AA are agriculture, public administration, and health care.

We recently held discussions with a community contact in Pender, Nebraska in Thurston County. The contact indicated the community is growing, and the economy is doing well. The contact also indicated the primary need in the community is additional affordable housing as there is not currently enough housing to support the employment opportunities in the community. Projects are currently underway to expand housing in the community. The contact stated local financial institutions are meeting the credit needs of the community, and the contact is not aware of any lending complaints.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

CWNB's performance on the lending test is satisfactory. The LTD ratio is reasonable given the business strategy and position in the market. The bank originates or purchases a majority of its loans by dollar volume in the AA, and the distribution of the bank's lending to borrowers of different income levels and farm sizes is reasonable. There have not been any complaints regarding the bank's CRA performance.

Loan-to-Deposit Ratio

CWNB's lending level is reasonable and meets the criteria for satisfactory performance given the bank's size, financial condition, and credit needs of the AA. CWNB's LTD ratio was 82 percent as of September 30, 2014, and the quarterly average LTD ratio was 80 percent over the past 22 quarters since the last CRA examination. CWNB's quarterly average LTD ratio is comparable to the quarterly average LTD ratio of 82 percent for six other similarly situated institutions. CWNB's LTD ratio ranged from a high of 89 percent to a low of 71 percent during the review period.

Lending in Assessment Area

A majority of the bank's lending is in the assessment area and meets the criteria for satisfactory performance. We reviewed a sample of 20 agricultural loans within the Non-MSA AA and the bank's complete HMDA loan application registers in the MSA AA between January 1, 2012 and October 31, 2014 to assess the bank's lending performance. Based on our sample, 51 percent of the bank's lending by dollar volume was in the assessment area, which is most indicative of the bank's lending practices. Since the bank is a HMDA reporter, we had data for all 3,461 home loans originated during the review period, compared to our sample of 20 agricultural loans. The larger sample of home loans, with 44 percent originated in the AA by number, compared to the small sample of agricultural loans with 65 percent originated in the AA by number, weighted the overall results toward the home loan sample. The percentage of total loans by dollar volume originated in the assessment area demonstrates that management is using a majority of local deposits to make loans in the AA, and the overall percentage of loans in the AA by both number and dollar volume would likely be substantially higher if the sample sizes were more comparable between products.

The following table details CWNB's lending within the AA by number and dollar amount of loans:

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	1532	44%	1929	56%	3461	\$232,750	51%	\$222,393	49%	\$455,143
Agricultural Loans	13	65%	7	35%	20	\$2,549	80%	\$622	20%	\$3,171
Total	1545	44%	1936	56%	3481	\$235,299	51%	\$223,015	49%	\$458,314

Source: 2012-2014 HMDA loan application register and a sample of agricultural loans from 2012-2014.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and farms of different sizes.

Performance in the MSA AA

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. We reviewed 2010 U.S. Census Data and the 2012-2014 HMDA loan application registers to assess the bank's performance. Overall, CWNB's level of lending to low- and moderate-income borrowers is similar to the demographic comparators in each area. The bank exceeds the demographic comparators for home purchase lending to both low- and moderate-income borrowers, and it exceeds comparators for home improvement loans to moderate-income borrowers.

The following table shows the distribution of residential real estate originations among borrowers of different income levels compared to the percentage of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in MSA 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
Home Purchase	20.4%	25.8%	17.5%	31.6%	22.8%	18.5%	39.3%	22.8%
Home Improvement	20.4%	6.3%	17.5%	25.0%	22.8%	18.8%	39.3%	50.0%
Home Refinance	20.4%	6.0%	17.5%	16.9%	22.8%	22.2%	39.3%	44.2%

Source: 2010 U.S. Census Data and 2012-2014 HMDA loan application registers.

Performance in the Non-MSA AA

The distribution of agricultural loans reflects reasonable penetration among farms of different sizes. We reviewed a sample of 20 agricultural loans originated between January 1, 2012 and October 31, 2014 to assess the bank’s performance. The bank originated or purchased 60 percent of its agricultural loans to small farms by number and 38 percent by dollar. Small farms are farms with gross annual revenues of \$1 million or less. The percentage of loans to small farms is below the demographic comparator; however, the distribution remains reasonable given sampling limitations and the economic environment. Eighty-five percent of the loans in our sample were under \$250,000 providing additional support for a reasonable distribution of loans to small farms. One loan to a farm with revenues greater than \$1 million accounted for 36 percent of the total originated dollar volume in the sample, significantly affecting the samples findings. Finally, the strength of the agricultural sector in recent years coupled with elevated cattle and grain prices dramatically changed the revenue composition of the lending portfolio. As a result, gross revenues for farms in the area may have increased even if the overall size and scope of the farming operations did not increase.

The following table shows the distribution of agricultural loans to farms of different sizes within the AA:

Table 2A - Borrower Distribution of Loans to Farms in Non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.4	1.6	0	100
% of Bank Loans in AA by #	60	35	5	100
% of Bank Loans in AA by \$	38	58	4	100

Source: 2010 U.S. Census Data and a sample of agricultural loans from 2012-2014.

Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout the bank’s MSA AA. The data was not meaningful in the Non-MSA AA because all census tracts in the AA are middle-income tracts. There were no conspicuous gaps identified within CWNB’s AA.

Performance in the MSA AA

The geographic distribution of home loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. We reviewed 2010 U.S Census Data and the 2012-2014 HMDA loan application registers to assess the bank’s performance. Overall, CWNB’s home lending in low- and moderate-income census tracts is similar to the demographic comparator for the census tracts. The bank originated a higher percentage of home improvement loans than the demographic comparator in low-income census tracts, and it exceeded the demographic comparator for home purchase loans in moderate-income census tracts.

The following table reflects CWNB’s lending performance in all income tracts compared to the percentage of owner-occupied housing units in each census tract income level:

Table 3 - Geographic Distribution of Residential Real Estate Loans in MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.1	3.8	16.3	19.6	47.0	43.6	31.6	33.0
Home Improvement	5.1	18.8	16.3	12.5	47.0	37.5	31.6	31.2
Refinancing	5.1	1.4	16.3	11.0	47.0	39.1	31.6	48.5

Source: 2010 U.S. Census Data and 2012-2014 HMDA loan application registers.

Performance in the Non-MSA AA

We did not perform a geographic distribution of loans in this AA during the examination. All of the census tracts in the Non-MSA AA are middle income, so the analysis would not be meaningful.

Responses to Complaints

The Office of the Comptroller of the Currency and the bank did not receive any CRA-related complaints during the 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 by the bank, or in any AA 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.