



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**West Texas National Bank
Charter Number 24185**

**#6 Desta Drive, Suite 2400
Midland, TX 79705**

**Comptroller of the Currency
Lubbock Field Office
5225 South Loop 289 Suite 108
Lubbock, TX 79424**

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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>2</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>2</i>
<i>DESCRIPTION OF ASSESSMENT AREAS.....</i>	<i>3</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</i>	<i>5</i>

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

West Texas National Bank (WTNB) has a satisfactory record of meeting the community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 62 percent during the evaluation period. Such performance is reasonable given the available loan demand in the assessment areas.
- A substantial majority of WTNB's loans are within its assessment areas.
- WTNB has a reasonable penetration of loans to individuals and families of different income (including low- and moderate-income) levels, and farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- There have been no complaints with respect to WTNB's CRA performance.

DESCRIPTION OF INSTITUTION

WTNB is an intrastate bank headquartered in Midland, Texas. WTNB was chartered in 2000 and is the result of the merger of three independent banks. WTNB reported total assets of \$278 million as of September 30, 2002. The bank is a wholly owned subsidiary of First West Texas Bancshares, Inc. (FWTBI), a one-bank holding company located in Midland, Texas. FWTBI reported assets of \$280 million as of September 30, 2002.

The bank offers a full range of commercial banking products and related financial services through its branch network within West Texas. The bank provides access to banking services through its website at www.wtnb.com. Services include account balance inquiries, funds transfer and bill payment services. The bank also offers 24 Hour Star On Call Banker telephone banking which includes account balance inquiries, funds transfer, verification of direct deposits and automated teller machine (ATM) activity. In addition to the main office in Midland, WTNB has one branch in the Midland County assessment area (AA). WTNB's distribution network outside of the Midland County AA includes two branches and three ATMs in the Brewster County AA, two branches and three ATMs in the Gaines/Yoakum Counties AA, and three branches and three ATMs in the Reeves/Loving/Winkler/Ward/Crane Counties AA.

As of September 30, 2002, WTNB had total assets of \$278 million, with 61 percent in the loan portfolio. Although the bank has primarily been an agricultural lender, commercial, residential real estate and consumer purpose loans are available. With the opening of the Midland banking locations during the evaluation period, commercial loans have increased and are expected to continue to increase in the near future. The commercial loan total reflected in the table below is centered in a small number of loans. The following chart details a breakdown of WTNB's loan portfolio as of September 30, 2002.

Loan Portfolio Composition as of September 30, 2002		
Loan Category	\$ (000)	%
Commercial and Industrial	57,099	33.64%
Agricultural	38,447	22.65%
Residential Real Estate	22,294	13.14%
Consumer	20,762	12.23%
Agricultural Real Estate	16,709	9.85%
Commercial Real Estate	13,952	8.22%
Other	456	0.27%
Total	169,719	100.00

Source: Report of Condition.

There are no legal or financial impediments to WTNB's ability to help meet the credit, investment, and service needs of its AAs. WTNB's Tier 1 Capital level is \$21.3 million representing 7.95 percent of adjusted average assets as of September 30, 2002. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

The bank's business strategy is to provide outstanding banking services to customers in West Texas while increasing the long-term value of the owners' investment.

This is the first evaluation of WTNB's CRA performance. The three banks that were merged into WTNB were OCC supervised and had satisfactory CRA ratings on their last public evaluations.

DESCRIPTION OF ASSESSMENT AREAS

WTNB has AAs in West Texas. All areas consist of whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude low- or moderate-income geographies. The AAs meet the requirements of the CRA regulation. The AAs are: Midland County (portion of Odessa/Midland metropolitan statistical area), Gaines/Yoakum Counties, Brewster County, and Reeves/Loving/Winkler/Ward/Crane Counties. Other than the Midland County, all AAs have full service branches with drive-up facilities. The AAs that received full-scope reviews were Gaines/Yoakum Counties and Brewster County.

Gaines/Yoakum Counties Assessment Area

This AA has two branch locations located in Seminole and Denver City. Seminole is centrally located in Gaines County and is the county seat. Denver City is located in the southern portion of Yoakum County and is the county seat. Smaller communities also located within the AA include Seagraves, Plains, and Loop. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Gaines/Yoakum Counties AA	
Population	
Number of Families	5,991
Number of Households	7,332
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	0.00
% Middle-Income Census Tracts/BNA	80.00
% Upper-Income Census Tracts/BNA	20.00
Median Family Income (MFI)	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	2.58
2002 Median Housing Value	43,055
% of Households Below Poverty Level	20.68

Source: 1990 Census data and HUD updated income data.

The AA is comprised of the five contiguous block-numbering areas (BNAs) in Gaines and Yoakum counties. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 1990 Census data, the AA has a total population of 22,909. There are 8,593 housing units in the AA, of which 62 percent are owner-occupied, 23 percent are renter-occupied and 15 percent vacant. Approximately 20 percent of the families in the AA are considered low-income. Moderate-income families approximate 16 percent of the population, while middle- and upper-income families comprise the remaining 64 percent. The local economy for Gaines and Yoakum Counties is primarily agricultural and oil field based. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy. The largest non-agricultural employers within the AA include the local school districts, Amerada Hess Corporation, Occidental Permian, and city and county government offices.

Competition is strong in the AA with four financial institutions, and two credit unions. First Ag Credit (Farm Credit Services) also has an office in Seminole.

One community member was contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The contact stated that local economic conditions have been depressed, as the community is reliant upon agriculture. However, crop production in 2002 was significantly improved from prior years. The contact stated that the local financial institutions are active in the community and responsive to local credit needs.

Brewster County Assessment Area

This assessment area has two branch locations located in Alpine and Terlingua. Alpine is located in the northwest portion of Brewster County and is the county seat. Terlingua is located in the southern portion of the county. The city of Marathon is another community located within the AA. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Brewster County AA	
Population	
Number of Families	2,203
Number of Households	3,410
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	50.00
% Middle-Income Census Tracts/BNA	50.00
% Upper-Income Census Tracts/BNA	0.00
Median Family Income (MFI)	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	3.17
2002 Median Housing Value	49,373
% of Households Below Poverty Level	28.27

Source: 1990 U.S. Census data and HUD updated income data.

The AA is comprised of the four contiguous BNAs in Brewster County. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

Based on 1990 Census data, the AA as a total population of 8,681. There are 4,486 housing units in the AA, of which 45 percent are owner-occupied, 30 percent are renter-occupied and 25 percent vacant. Approximately 26 percent of the families in the AA are considered low-income. Moderate-income families approximate 21 percent of the population, while middle- and upper-income families comprise the remaining 47 percent. The local economy is primarily based on tourism and retirement living. Brewster County borders Mexico and is the location of Big Bend National Park. Sul Ross State University is also located in Alpine. The largest employers within the AA include Sul Ross State University, Alpine School District, Big Bend Telephone and city and county government offices.

Competition is strong in the AA with three financial institutions, one credit union, and a finance company.

One community member was contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The contact stated that the local economy is expanding, as the community has become a retirement site in West Texas. In addition, the contact stated that the local financial institutions are active in the community and responsive to local credit needs, however there is a need for low- and moderate-income housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

WTNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment areas, including lending to individuals of different income (including low- and moderate-income) levels and farms of different sizes.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of WTNB is reasonable given the bank's size, financial condition, and the credit needs of the AAs. The bank's quarterly average loan-to-deposit ratio was 62 percent since March 31, 2001. The average loan-to-deposit ratio of similarly situated banks within the AAs for the same period was 68 percent. As of December 31, 2002, the bank's loan-to-deposit ratio is 62 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in the AAs is listed below.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 09/30/02)	Average Loan-to-Deposit Ratio
Bank A	367,540	86.39%
Bank B	290,170	65.07%
Bank C	93,207	53.53%
Bank D	236,187	67.68%
Bank E	156,991	64.99%
West Texas National Bank	277,515	61.73%

Source: Institution Reports of Condition from March 2001 to September 2002.

Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess performance for these criteria, we reviewed 54 consumer and 29 agricultural loans originated between 2001 and December 2002. In addition, 112 residential loans originated in 2002 were reviewed. Our analysis determined that 87.2 percent of the number of loans and 80.9 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Areas								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	28	96.6%	4,481	99.8%	1	3.4%	10	0.2%
Consumer	46	85.2%	327	85.5%	8	14.8%	56	14.5%
Home Mortgage	96	85.7%	7,613	80.2%	16	14.3%	1,883	19.8%
Total Reviewed	170	87.2%	12,421	80.9%	25	12.8%	2,939	19.1%

Source: Sample of loans used for CRA performance analysis.

Selection of Assessment Areas for Full Scope Review

During this examination, we performed a full-scope review for two of the bank's AAs. The AAs selected for review were areas in which the bank maintains a substantial share of its business, 65 percent of deposits and 65 percent of the number of loans. The areas reviewed are the Gaines/Yoakum Counties AA and Brewster County AA. A limited scope review was conducted for the Reeves/Loving/Winkler/Ward/Crane Counties AA and the Midland County AA.

The following chart reflects the composition of the bank's total loans and deposit dollars by AA.

Assessment Area	% by Number of Loans	% of Deposits
Gaines/Yoakum Counties	34.78%	37.81%
Brewster County	30.70%	26.90%
Reeves/Ward/Loving/Winkler and Crane Counties	32.00%	32.00%
Midland County	2.52%	3.29%
Total	100.00	100.00

Source: December 2002 Financial Information.

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

WTNB's loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and agricultural-related businesses of different sizes with their assessment areas.

Gaines/Yoakum Counties AA - WTNB is primarily an agricultural lender in this AA. The bank also makes a significant number of loans for consumer purposes. To perform our analysis, we reviewed income information of 26 consumer- and 28 agricultural-purpose loans in this AA.

Brewster County AA - WTNB is primarily a consumer and residential real estate lender in this AA. To perform our analysis we reviewed income information of 20 consumer- and 57 residential-purpose loans in this AA.

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the Gaines/Yoakum Counties AA. Based on 1990 Census Information, 34.7 percent of households in the AA are low- and moderate income. Our review determined that 69.2 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Gaines/Yoakum Counties Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	20.3%		14.4%		16.8%		58.5%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	30.8%	14.5%	38.4%	25.9%	7.7%	8.4%	23.1%	51.2%

Source: Loan sample; U.S. Census data.

Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the Brewster County AA. Based on 1990 Census information, 46.2 percent of households in the AA are low- and moderate-income. Our review determined that 65.0 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Brewster County AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	29.9%		16.3%		15.7%		38.1%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	35.0%	19.9%	30.0%	31.8%	25.0%	45.3%	10.0%	3.0%

Source: Loan sample, U.S. Census data.

Residential Real Estate Loans - Our analysis reflects a reasonable penetration of residential real estate loans to low- and moderate-income families. Based on 1990 Census information, 46.4 percent of families in the AA are low- and moderate income. Our review determined that 7.1 percent of residential real estate loans were made to low- and moderate-income families. The bank's lower level of lending compared to the demographics of the AA is primarily due to the qualification standards that require high-income levels as well as significant closing costs and down payments. Many low-income individuals are unable to meet these standards. In addition, approximately 28.7 percent of the families in the AA are below poverty level. The following chart reflects the results of our selected sample of residential real estate loans originated in this AA.

Borrower Distribution of Residential Real Estate Loans in Brewster County AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	25.7%		20.7%		12.8%		40.8%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	0	0.0%	0	0.0%	7.0%	5.6%	36.8%	41.6%
Refinance	1.8%	0.6%	5.3%	2.0%	7.0%	2.7%	42.1%	47.5%
Total	1.8%	0.6%	5.3%	2.0%	14.0%	8.3%	78.9%	89.1%

Source: Data reported under HMDA; U.S. Census data.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 280 farms with reported revenues located within the Gaines/Yoakum assessment area. Of this number, 88 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural purpose sample, 82.1 percent were to farms reporting annual revenues below \$1 million. This level is comparable to the assessment area information and reflects a satisfactory penetration of agricultural loans to small farms. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

Borrower Distribution of Loans to Farms in Gaines/Yoakum Counties Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	88.2%	11.8%
% of Bank Loans in AA by #	82.1%	17.9%
% of Bank Loans in AA by \$	47.0%	53.0%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

A geographic distribution analysis was performed only on the Brewster County AA as the Gaines/Yoakum Counties AA does not have any low- or moderate-income BNAs.

WTNB's geographic distribution of loans within the BNAs is reasonable given the bank's business strategy and locations. Our analysis included 20 consumer loans originated between 2001 and December 2002, and 57 residential real estate loans originated during 2002. Demographic information indicates that the moderate-income areas are located in the southern portion of the City of Alpine and the eastern portion of Brewster County, which is largely a rural area.

Consumer Loans - Our analysis indicated that the geographic distribution of WTNB's lending in the moderate-income areas for consumer loans exceeds the demographic composition of Brewster County. Our review determined that 60.0 percent of consumer loans were located in moderate-income BNAs. The following chart reflects the results of our selected sample of consumer loans originated in Brewster County.

Geographic Distribution of Consumer Loans in Brewster County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0.0%		27.2%		72.8%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	60.0%	34.4%	40.0%	65.6%	0.0%	0.0%

Source: Loan sample; U.S. Census data.

Residential Real Estate Loans - Our analysis indicated that the geographic distribution of loans in the moderate-income areas for residential real estate loans is reasonable in Brewster County. The following chart reflects the results of our selected sample of residential real estate loans originated in Brewster County.

Geographic Distribution of Residential Real Estate Loans in Brewster County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0.0%		27.2%		72.8%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	0	0.0%	8.8%	6.3%	35.1%	40.9%	0	0.0%
Refinance	0	0.0%	12.2%	3.9%	43.9%	48.9%	0	0.0%
Total	0	0.0%	21.0%	10.2%	79.0%	89.8%	0	0.0%

Source: Data reported under HMDA; U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's lending performance in the Reeves/Ward/Loving/Winkler/Crane Counties AA and Midland County AA is consistent with the bank's satisfactory CRA performance.

Responses to Complaints

No complaints relating to CRA performance have been received by WTNB.

Fair Lending Review

An analysis of 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. WTNB has not yet had a fair lending exam.