



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Western National Bank
Charter Number 15372**

**4241 W. 45th
Amarillo, TX 79114**

**Comptroller of the Currency
ADC Debra Garland, Lubbock (West Texas)
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

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

- The bank's loan-to-deposit ratio is reasonable and averaged 44 percent during the evaluation period. Such performance is reasonable given that WNB is a retail lending bank.
- A substantial majority of consumer and commercial loans reviewed were made to borrowers in the assessment area. Eighty-eight percent of the number of loans and 81 percent of the dollar volume of loans were to borrowers in the assessment area.
- WNB has a reasonable penetration of loans to individuals of different income (including low- and moderate-income) levels, and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- There have been no complaints regarding WNB's CRA performance.

DESCRIPTION OF INSTITUTION

WNB is a retail-oriented community bank in Amarillo, Texas, which is located in the Texas panhandle. WNB is an intrastate bank with one main office, with drive-through facilities. WNB has one automatic teller machine (ATM), located at the main office. WNB is a wholly owned subsidiary of Amarillo Western Bancshares, Inc. (AWB), a one-bank holding company located in Amarillo, Texas. AWB reported assets of \$35 million as of December 31, 2002.

As of December 31, 2002, WNB had total assets of \$35 million, with 40 percent in the loan portfolio. Although the bank is primarily a consumer lender, residential real estate and business purpose loans are also available. The bank has a variety of deposit products and other banking services to meet the needs of their community. The following chart details a breakdown of WNB's loan portfolio as of December 31, 2002.

Loan Portfolio Composition as of December 31, 2002				
Loan Category	\$ (000)	%	#	%
Consumer	9,174	64.52	1,550	88.52
Commercial and Industrial	3,245	22.83	126	7.20
Residential Real Estate	1,765	12.41	71	4.06
Agricultural	17	0.12	2	0.11
Other	17	0.12	2	0.11
Total	14,218	100.00	1,751	100.00

Source: Report of Condition and Bank Loan Report.

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, WNB has the ability to meet the various

credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on December 7, 1998. No legal impediments or other factors hinder WNB’s ability to provide credit in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF AMARILLO MSA

WNB has designated the Amarillo MSA as its assessment area. The Amarillo MSA comprises all of Potter and Randall Counties, which are located in the Texas Panhandle. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Amarillo MSA	
Population	
Number of Families	51,029
Number of Households	72,252
Geographies	
Number of Census Tracts/BNA	68
% Low-Income Census Tracts/BNA	10.29
% Moderate-Income Census Tracts/BNA	25.00
% Middle-Income Census Tracts/BNA	38.24
% Upper-Income Census Tracts/BNA	26.47
Median Family Income (MFI)	
1990 MFI for AA	30,688
2002 HUD-Adjusted MFI	44,800
Economic Indicators	
Unemployment Rate	3.29
2002 Median Housing Value	54,547
% of Households Below Poverty Level	15.23

Source: 1990 Census data and HUD updated income data.

The bank’s assessment area is comprised of all the 68 census tracts in the Amarillo MSA. 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 assessment area has a population of 187,547. According to the 2000 U.S. Census, the population of Randall and Potter counties increased approximately 16 percent since 1990.

There are 80,734 housing units in the assessment area, of which 57 percent are owner-occupied, 32 percent are renter-occupied, and 11 percent vacant. Approximately 21 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 18 percent of the population, while middle- and upper-income families comprise the remaining 61 percent. In Amarillo, the location of the middle- and upper-income geographies tends to be south and southwest, while low- and moderate-income tracts tend to be located in the central and northeast portion of the city.

Economic conditions in the Amarillo MSA remain relatively strong and stable compared to the rest of the country. This is due to a diversified economic base that includes numerous manufacturing and industrial entities. Agricultural, government, health care, public education, retail, and service business activities further enhance the stability of the local economy. The top five employers are the Amarillo Independent School

District, Iowa Beef Processors, Baptist Saint Anthony's Health Systems, U.S. Department of Energy – Pantex, and the Texas Department of Criminal Justice. Unemployment levels remain below the Texas and national averages. As of December 2002, the Amarillo MSA reported an unemployment rate of 3.4 percent, compared to the statewide unemployment rate of 6.2 percent.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers.

We contacted an individual at a local university 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 individual stated that local economic conditions have had a downward trend, with lost jobs and lost value in retirement funds resulting in increasing inquiries about starting new small businesses. The individual stated that local institutions continue to make credit available, but it may be harder for new businesses to establish credit. Local institutions continue to meet credit needs overall.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

WNB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to individuals of different income (including low- and moderate-income) levels and businesses of different sizes. We reviewed a sample of 30 consumer loans and 30 commercial loans to evaluate the lending practices. These two loan products were identified as primary products based on the composition of the loan portfolio and the loans originated since the last examination.

Loan-to-Deposit Ratio

WNB's average loan-to-deposit ratio since the last examination is 44.1 percent, and the loan-to-deposit ratio at December 31, 2002 was 44.6 percent. The loan-to-deposit ratio is satisfactory, given the competition in the AA and the high level of consumer lending at the bank. WNB has only a single location, and the primary loan product is consumer loans. Consumer loans represent over 89 percent of the number of loans and 65 percent of the dollar volume in the portfolio. No comparable banks were identified as local competition consists of multiple branches of large national banks, regional banks, smaller community banks, savings associations, and credit unions. Consumer loans generally are originated for smaller dollar amounts than commercial or real estate loans, and this factor would lower the loan-to-deposit ratio of the bank even with a satisfactory level of lending.

Lending in Assessment Area

A substantial majority of the bank's loans were made within its assessment area. In order to assess performance for this criteria, we reviewed 30 consumer and 30 commercial loans originated since January 1999. Our analysis determined that 88.3 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 assessment area. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	25	83.3%	216	86.1%	5	16.7%	35	13.9%
Commercial	28	93.3%	1,007	79.9%	2	6.7%	253	20.1%
Total Reviewed	53	88.3%	1,223	80.9%	7	11.7%	288	19.1%

Source: Sample of loans used for CRA performance analysis.

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

WNB's loan portfolio reflects a reasonable distribution among individuals of various income levels (including low- and moderate-income) and businesses of different sizes.

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the assessment area. Based on 1990 Census Information, 40.0 percent of households in the assessment area are low- and moderate-income. Our review determined 76.0 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the assessment area for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in the assessment area.

Borrower Distribution of Consumer Loans								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Assessment Area Households	24.3		15.7		19.1		40.9	
Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	40.0%	26.9%	36.0%	38.0%	16.0%	23.1%	8.0%	12.0%

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

Commercial Loans

Based on 2002 Business Demographic Data, there are 10,696 small businesses with reported revenues located in the assessment area. Of this number, 94 percent of the businesses reported revenues less than or equal to \$1 million. Of the loans in the commercial purpose sample, 85.7 percent were to businesses reporting annual revenues below \$1 million. This level is comparable to the assessment area information and reflects a satisfactory penetration of commercial loans to small businesses. The following chart reflects the results of our selected sample of commercial loans originated in this assessment area.

Borrower Distribution of Small Loans to Businesses		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93.6%	6.4%
% of Bank Loans in Assessment Area #	85.7%	14.3%
% of Bank Loans in Assessment Area \$	71.7%	28.3%

Source: Loan Sample, Dunn and Bradstreet data.

Geographic Distribution of Loans

WNB's geographic distribution of loans within the assessment area exceeds the standard for satisfactory performance given the bank's business strategy and location. Our analysis included 25 consumer loans and 28 commercial loans originated since January 1999. Demographic information indicates that the low- and moderate-income areas are located in the central and northern portion of the City of Amarillo.

Consumer Loans – Our analysis indicated that the geographic distribution of WNB's lending in low- and moderate-income census tracts for consumer loans exceeds the demographic composition of the assessment area. Our review determined that 28.0 percent of consumer loans were located in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of consumer loans originated in the assessment area.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Assessment Area Households	5.3%		21.4%		45.4%		27.8%	
Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	8.0%	18.1%	20.0%	18.5%	60.0%	52.7%	12.0%	10.7%

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

Commercial Loans – Our analysis indicated that the geographic distribution of loans in the low- and moderate-income census tracts for small business loans exceeds the demographic composition of the assessment area. Our review determined that 32.2 percent of small business loans were located in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of commercial loans originated in the assessment area.

Geographic Distribution of Commercial Loans								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Assessment Area Businesses	10.7%		16.3%		48.4%		24.1%	
Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	17.9%	17.1%	14.3%	30.6%	42.9%	34.2%	25.0%	18.1%

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

Responses to Complaints

No complaints relating to WNB's CRA performance have been received.

Fair Lending Review

An analysis of 2000, 2001 and 2002 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. The latest comprehensive fair lending exam was performed in December 1998.