

INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 23, 2011

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

West Texas National Bank
Charter Number: 24185

#6 Desta Drive, Suite 2400
Midland, TX 79705

Office of the Comptroller of the Currency

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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

West Texas National Bank (WTNB) has a “Satisfactory” record of meeting community credit needs based on the following:

- WTNB’s loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment areas (AAs). The loan-to-deposit ratio averaged 63.71 percent during the evaluation period.
- A majority of loans are located in the AAs. Based on a sample of 181 loans, 80.11 percent of the number of loans and 73.75 percent of the dollar volume of loans were to borrowers within the AAs.
- Lending to borrowers of different incomes and to businesses and farms of different sizes shows reasonable penetration.
- The geographic distribution reflects a reasonable dispersion throughout the AAs.
- Community development (CD) performance demonstrates adequate responsiveness to the needs of the AAs through loans, qualified investments, and services.

Scope of Examination

This Performance Evaluation of WTNB assesses the bank’s record of meeting the credit needs of the communities in which it operates. We evaluated WTNB under the Intermediate Small Bank performance criteria, which included a Lending Test and a Community Development Test. The Lending Test evaluates a bank’s record of helping to meet the credit needs of its AAs through its lending activities. The Community Development Test evaluates a bank’s CD lending, qualified investments, and CD services.

- Conclusions regarding the Lending Test are based on the origination of commercial, agricultural, and consumer loans from January 1, 2008 through March 31, 2011.
- Conclusions regarding the Community Development Test are based on investments, services, and loans in WTNB’s AAs, which meet the definition of CD. The Community Development Test was conducted using information from the last CRA evaluation period dated September 4, 2007 through May 23, 2011.
- WTNB has three AAs that include the Midland MSA AA, Gaines & Yoakum Counties AA, and the Trans-Pecos Region AA. The Trans-Pecos Region AA is comprised of similar but noncontiguous counties (Brewster, Crane, Reeves, and Winkler). Based on the distribution of WTNB’s loans and deposits, all AAs will receive full-scope reviews.

- Performance in the Midland MSA AA will be weighted more heavily than the other two AAs since it contains the majority of the bank’s loans and deposits. The loan sample of 181 loans was used to analyze the CRA lending performance within the AAs. The loan sample consisted of 31 commercial loans for the Midland MSA AA and 30 loans for each of the remaining primary loan types by AA as follows:

<u>Assessment Area</u>	<u>Primary Loan Types</u>
Midland MSA	Commercial and Consumer
Gaines & Yoakum Counties	Agricultural and Consumer
Trans-Pecos Region	Commercial and Consumer

Description of Institution

WTNB is an intrastate bank headquartered in Midland, Texas. WTNB has eleven branches in eight cities throughout the West Texas region. A new branch was opened in February 2009 to further service Northwest Midland. The bank is a wholly owned subsidiary of First West Texas Bancshares, Inc, which reported total assets of \$596 million as of March 31, 2011. WTNB’s three affiliates were not considered for CRA purposes due to limited transactions with the bank.

The bank offers a comprehensive range of commercial and consumer banking products and related financial products. The bank provides 24-hour access to banking services through its website at www.wtnb.com. Services include account balance inquiries, funds transfer activities, bill pay services, new account applications, and mobile banking. WTNB also offers telebanking and mobile banking, which provide 24-hour access to banking services.

As of March 31, 2011, WTNB had total assets of \$594 million, with net loans and leases comprising 48.7 percent of this total. The bank’s loan products include agriculture, agricultural real estate, commercial, commercial real estate, consumer, political subdivisions, and residential real estate loans. The following table depicts WTNB’s loan portfolio composition.

Loan Portfolio Composition as of March 31, 2011				
Loan Type	Thousands	%	# of Loans	%
Commercial Real Estate	56,603	19.27%	134	3.09%
Agriculture	21,177	7.21%	243	5.61%
Commercial	114,333	38.92%	556	12.84%
Residential Real Estate	48,618	16.55%	516	11.92%
Agriculture Real Estate	26,927	9.17%	99	2.29%
Consumer	25,645	8.73%	2780	64.20%
Political Subdivisions	432	0.15%	2	0.05%
TOTAL	293,735	100.00%	4,330	100.00%

Source: March 31, 2011 Report of Condition

Management and the Board’s primary focus is on serving agricultural, commercial, and consumer customers in West Texas, while providing a return to shareholders. The bank meets customers’ needs by providing traditional loan and deposit products. Bank lobby and drive-up banking services are provided Monday through Friday with drive-up services also provided on Saturday at the Midland-Northwest and Alpine banking facilities. Based on WTNB’s financial condition, local economy, product offerings, and competition, the bank has the ability to meet

the various credit needs in its community.

WTNB was rated “Satisfactory” at the previous CRA examination dated September 4, 2007. WTNB has no legal or financial circumstances that could impede its ability to help meet the credit needs in its AAs. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

Description of Assessment Areas

Full-scope reviews were performed for all three of the bank’s AAs since each AA contributes a meaningful level of lending in terms of total loans. The Midland MSA AA represents 57 percent of total loans. The Gaines & Yoakum Counties AA represents 24 percent of total loans, and the Trans-Pecos Region AA represents 19 percent. Additionally, each AA contributes a major lending type. Commercial lending is prominent in the Midland MSA AA. Agricultural lending is prominent in the Gaines & Yoakum Counties AA, while consumer lending is prominent in the Trans-Pecos Region AA. The bank’s headquarters and three branch locations are located in the Midland MSA AA. The Trans-Pecos Region AA contains five branch locations, and the Gaines & Yoakum Counties AA has two branch locations.

Midland MSA AA

The Midland MSA AA consists of Midland County, Texas. The city of Midland is the county seat and the largest city in the county. The main bank and three branches are located in the Midland MSA AA. The following table provides a description of the Midland MSA AA based on census data and Department of Housing and Urban Development (HUD) information.

Demographic and Economic Characteristics of Midland MSA AA	
<i>Population</i>	
Number of Families	31,158
Number of Households	42,751
<i>Geographies</i>	
Number of Census Tracts	27
% Low-Income Census Tracts	7.41%
% Moderate-Income Census Tracts	22.22%
% Middle-Income Census Tracts	40.74%
% Upper-Income Census Tracts	29.63%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$47,309
2010 & 2011 HUD-Adjusted MFI	\$63,000
2009 HUD-Adjusted MFI	\$60,200
2008 HUD-Adjusted MFI	\$56,400
<i>Economic Indicators</i>	
2010 Unemployment Rate	5.44%
2010 Median Housing Value	\$74,762
% of Households Below Poverty Level	12.12%

Source: 2000 Census data and HUD updated income data.

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. According to the 2000 Census, the AA included 27 census tracts with a total population of 116,009. The census tracts consist of two low-, six moderate-, eleven middle-, and eight upper-income tracts. The 2000 Census data reflects that 12.12 percent of the households in the Midland MSA AA are below the poverty level.

According to 2000 Census data, there are 48,060 housing units in the AA, of which 61.9 percent are owner-occupied, 27.1 percent are renter-occupied, and 11.0 percent are vacant. Approximately 20.9 percent of families in the AA are considered low-income. Moderate-income families approximate 18.6 percent, while middle- and upper-income families make up the remaining 60.5 percent. The updated 2010 median housing value is \$74,762, with the median age of housing stock at 28 years.

Competition for financial services in the AA is strong. The June 30, 2010 FDIC Deposit Market Share Report shows \$3.7 billion worth of deposits are divided among 14 financial institutions. The AA includes branches from four multinational banks and several regional community banks. The top two banks (Wells Fargo and Bank of America) hold 38.8 percent of the AA deposits. WTNB's deposits in this AA total \$221.1 million, which is 6.0 percent of market share.

The Midland MSA AA is heavily dependent on oil-and-gas industries along with businesses that support them. The increase in oil-and-gas prices has positively impacted the economy of the area. The largest employers within the AA include the local school district, Midland Memorial Hospital, Midland College, Warren Equipment Company, and city and county government offices. According to the Texas Workforce Commission, Midland had 4.1 percent job growth in 2010, which was the second highest growth rate in the state. The unemployment rate for the Midland MSA in 2010 was 5.44 percent, one of the lowest in the state.

As part of this CRA examination, we conducted a community contact in the Midland MSA AA to help ascertain the economic development needs of the AA. The community contact noted that there are several opportunities to participate in community service activities, including lending to new businesses and purchasing local bonds. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

Gaines & Yoakum Counties AA

This AA consists of Gaines and Yoakum Counties. Principal cities include Seminole and Denver City, which are also the respective county seats. The bank has two branches located in the AA, with one branch in Seminole and one in Denver City. The following table provides a description of the Gaines & Yoakum Counties AA based on census data and HUD information.

Demographic and Economic Characteristics of Gaines & Yoakum Counties AA	
<i>Population</i>	
Number of Families	5,797
Number of Households	7,170
<i>Geographies</i>	
Number of Census Tracts	5
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	100.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2010 & 2011 HUD-Adjusted MFI	\$46,500
2009 HUD-Adjusted MFI	\$45,600
2008 HUD-Adjusted MFI	\$43,600
<i>Economic Indicators</i>	
2010 Unemployment Rate	6.80%
2010 Median Housing Value	\$40,011
% of Households Below Poverty Level	18.77%

Source: 2000 Census data and HUD updated income data.

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of five census tracts all of which are middle-income. Federal agencies have designated all census tracts located in the AA as distressed areas due to population losses. The 2000 Census data reflects that 18.77 percent of the households in the Gaines & Yoakum Counties AA are below the poverty level.

According to 2000 Census data, the AA has a total population of 21,789. There are 8,384 housing units in the AA, of which 66.9 percent are owner-occupied, 18.4 percent are renter-occupied, and 14.7 percent are vacant. Approximately 21.3 percent of families in the AA are considered low-income. Moderate-income families approximate 19.7 percent, while middle- and upper-income families make up the remaining 59.0 percent. The updated 2010 median housing value is \$40,011, with the median age of housing stock at 30 years.

There are six financial institutions in the AA, which result in a high level of competition for financial services. In addition to WTNB, there are five branches of local state banks and one branch of a non-local national bank. The June 30, 2010 FDIC Deposit Market Share Report for the Gaines & Yoakum Counties AA shows WTNB holds the second largest deposit market share at 24.3 percent of deposits.

Agriculture and oil and gas are the primary industries for the AA. The AA is a leader in the state for the production of peanuts, cotton, oil, and natural gas. Primary employers are Seminole Independent School District, oil and gas producer Amerada Hess, Denver City Independent School District, and city and county government offices.

Trans-Pecos Region AA

The Trans-Pecos Region AA consists of Brewster, Crane, Reeves, and Winkler counties. The bank has five full-service branches in this AA. Two branches are located in Brewster County, and Crane, Winkler, and Reeves Counties have one branch each. The following table provides a description of the Trans-Pecos Region AA based on census data and HUD information.

Demographic and Economic Characteristics of Trans-Pecos Region AA	
<i>Population</i>	
Number of Families	8,471
Number of Households	11,721
<i>Geographies</i>	
Number of Census Tracts	13
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	38.46%
% Middle-Income Census Tracts	61.54%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2010 & 2011 HUD-Adjusted MFI	\$46,500
2009 HUD-Adjusted MFI	\$44,600
2008 HUD-Adjusted MFI	\$43,600
<i>Economic Indicators</i>	
2010 Unemployment Rate	10.52%
2010 Median Housing Value	\$35,885
% of Households Below Poverty Level	21.62%

Source: 2000 Census data and HUD updated income data.

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of 13 census tracts consisting of five moderate- and eight middle-income tracts, with a total population of 33,172. Federal agencies have designated the three middle-income census tracts in Brewster County as underserved, the four middle income tracts in Crane and Winkler counties as distressed due to population loss, and the middle-income tract in Reeves County as distressed due to population loss and poverty. The 2000 Census data reflects that 21.62 percent of the households in the AA are below the poverty level.

According to 2000 Census data, there are 14,467 housing units in the AA, of which 59.9 percent are owner-occupied, 21.0 percent are renter-occupied, and 19.1 percent are vacant. Approximately 25.2 percent of families in the AA are considered low-income. Moderate-income families approximate 20.9 percent, while middle- and upper-income families make up the remaining 53.9 percent. The median housing value is \$35,885, with the median age of housing stock at 36 years.

There are six financial institutions in the AA, which result in a moderate level of competition for financial services. The June 30, 2010 FDIC Deposit Market Share Report for the Trans-Pecos Region AA shows WTNB to have the largest deposit market share with 40.9 percent of AA deposits.

The AA economy has an agricultural and oil- and-gas focus. In Reeves County, the economy is supported by agriculture, food processing, and gravel mining. Major employers are the TransPecos Foods processing plant, The GEO Group (which manages private correctional centers), local school districts, and city and county government offices. The Brewster County economy is primarily based on tourism and is the home of Big Bend National Park. Alpine is the county seat and houses Sul Ross State University, which is one of the largest employers in the AA. In Crane and Winkler counties, the largest segment of the local economy is oil-and-gas production followed by cattle ranching and local government.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank’s performance under the Lending Test is rated Satisfactory.

Loan-to-Deposit Ratio

WTNB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s LTD ratio averaged 63.71 percent over the 15 quarters since the last CRA examination, with a quarterly low of 50.06 percent and a quarterly high of 72.08 percent. The bank’s LTD ratio compares favorably with other community banks of similar size, location, and product offerings. The other seven banks had LTD ratios averaging 72.3 percent and ranging from 63.39 percent to 82.17 percent over the 15 quarters since the last CRA examination.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 3/31/11)	Average Loan-to-Deposit Ratio
Community National Bank	657,987	63.82
First United Bank	1,006,280	65.07
FirstCapital Bank of Texas, N.A.	527,074	77.30
Security State Bank	511,429	82.17
Transpecos Bank	163,559	78.11
West Texas National Bank	594,180	63.71
West Texas State Bank	294,621	63.39
Western National Bank	1,101,449	76.25

Source: Institution Reports of Condition from September 2007 to March 2011

Lending in Assessment Areas

WTNB's lending in the AAs meets the standards for satisfactory performance. A majority of the bank's loans were made within its AAs. In order to assess performance for this criterion, we reviewed 61 commercial, 90 consumer, and 30 farm loans originated between January 1, 2008 and March 31, 2011. Our analysis determined that 80.11 percent of the number of loans and 73.75 percent of the dollar amount of loans in the sample were originated within the bank's AAs. The breakdown by loan category is depicted in the following table.

Lending in All Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	45	73.77	16	26.23	61	\$27,931	73.84	\$9,896	26.16	\$37,827
Consumer	76	84.44	14	15.56	90	\$1,024	81.86	\$227	18.14	\$1,251
Farm	24	80.00	6	20.00	30	\$4,072	71.41	\$1,631	28.59	\$5,703
Totals	145	80.11	36	19.89	181	\$33,027	73.75	\$11,754	26.25	\$44,781

Source: Sample of loans used for CRA performance analysis

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

The distribution of loans made to individuals and families of different income levels and to businesses and farms of different sizes is reasonable.

Midland MSA AA

The distribution of loans originated to businesses with revenues less than \$1 million is below the percentage of businesses in the AA with revenues less than \$1 million. The percentage of businesses within the AA that generate revenues less than \$1 million is 75.57 percent based on U.S. Census data. WTNB originated 10.84 percent of its total business loans to businesses with revenues less than \$1 million. When looking at the number of loans made to businesses within the AA that generate revenues less than \$1 million, the percentage is 60.00 percent. This level is in line with the demographic composition of the AA and reflects a reasonable penetration of loans to small businesses. The two largest loans in our sample were made to businesses with revenues greater than \$1 million. These two loans represented 74.49 percent of our sample and impacted the dollar volume of loans to businesses with revenues greater than \$1 million. The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Loans to Businesses in Midland MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.57	4.87	19.56	100.00
% of Bank Loans in AA by #	60.00	35.00	5.00	100.00
% of Bank Loans in AA by \$	10.84	88.87	0.29	100.00

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans to low-income borrowers in this AA is below the percentage of low-income households. 20.19 percent of households in the AA are low-income, and 4.55 percent of consumer loans in our sample were made to low-income households. The distribution of consumer loans in this AA to moderate-income borrowers is also below the percentage of moderate-income households. 14.95 percent of households in the AA are moderate-income, and 9.09 percent of consumer loans in our sample were made to moderate-income households. Consumer lending is not a primary focus in this AA. Consumer loans are made as an accommodation to commercial customers, who are typically upper-income individuals. The

following table shows the distribution of consumer loans among borrowers of different income levels within this AA.

Borrower Distribution of Consumer Loans in Midland MSA AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20.19	4.55	14.95	9.09	17.68	27.26	47.18	54.55	0.00	4.55

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

Trans-Pecos Region AA

The distribution of loans originated to businesses with revenues less than \$1 million is above the percentage of businesses in the AA with revenues less than \$1 million. The percentage of businesses within the AA that generate revenues less than \$1 million is 70.93 percent based on U.S. Census data. WTNB originated 85.46 percent of its total business loans to businesses with revenues less than \$1 million. This level is above the demographic composition of the AA and reflects an excellent penetration of loans to small businesses. The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Loans to Businesses in Trans-Pecos Region AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.93	2.39	26.68	100.00
% of Bank Loans in AA by #	88.00	12.00	0.00	100.00
% of Bank Loans in AA by \$	85.46	14.54	0.00	100.00

Source: Loan sample; Dunn and Bradstreet data.

Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households in the AA. Based on 2000 Census information, 27.86 percent of households in the AA are low-income. Our review determined that 11.11 percent of consumer loans were made to low-income households. A low-income individual earns less than \$23,250 based on updated 2010 HUD family income with 21.62 percent of the households in the AA living below the poverty level. The bank's percentage of consumer loans to moderate-income borrowers is in line with the percentage of moderate-income households in the AA. Moderate-income households represent 18.11 percent of households in the AA, and 18.52 percent of consumer loans in our sample were made to moderate-income households. The following table shows the distribution of consumer loans among borrowers of different income levels within this AA.

Borrower Distribution of Consumer Loans in Trans-Pecos Region AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	27.86	11.11	18.11	18.52	19.44	22.22	34.59	40.74	0.00	7.41

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

Gaines & Yoakum Counties AA

The distribution of loans originated to farms with revenues less than \$1 million is greater than the percentage of farms in the AA with revenues less than \$1 million. The percentage of farms within the AA that generate revenues less than \$1 million is 92.94 percent based on U.S. Census data. WTNB originated 95.61 percent of its total farm loans to farms with revenues less than \$1 million. This level is greater than the demographic composition of the AA and reflects an excellent penetration of loans to small farms. The following table shows the distribution of farm loans among farms of different sizes in this AA.

Borrower Distribution of Loans to Farms in Gaines & Yoakum Counties AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	92.94	4.71	2.35	100.00
% of Bank Loans in AA by #	91.67	8.33	0.00	100.00
% of Bank Loans in AA by \$	95.61	4.39	0.00	100.00

Source: Loan sample; Dunn and Bradstreet.

Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households in the AA. Based on 2000 Census information, 22.72 percent of households in the AA are low-income. Our review determined that 14.82 percent of consumer loans were made to low-income households. The distribution of consumer loans is below the income characteristics of the AA for low-income households. A low-income individual earns less than \$23,250 based on updated 2010 HUD family income with 18.77 percent of the households in the AA living below the poverty level. Moderate-income households represent 17.45 percent of households in the AA, and 33.33 percent of consumer loans in our sample were made to moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for moderate-income households. The following table shows the distribution of consumer loans among borrowers of different income levels within this AA.

Borrower Distribution of Consumer Loans in Gaines & Yoakum Counties AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.72	14.82	17.45	33.33	18.23	18.52	41.60	33.33

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

Geographic Distribution of Loans

WTNB's geographic loan distribution is satisfactory. Performance for business and consumer lending reflects a reasonable dispersion throughout the AA.

Midland MSA AA

Geographic distribution of business loans in this AA is adequate. The geographic distribution of sampled business loans in low-income census tracts (CTs) is in line with the percentage of businesses in these areas. The percentage of businesses located in low-income CTs is 5.19 percent, and our loan sample reflected that 5.00 percent of business loans were located in low-income CTs. The distribution of sampled loans to businesses in moderate-income CTs is also in line with the percentage of businesses in these areas. The percentage of businesses located in moderate-income CTs is 29.25 percent, and our loan sample reflected that 20.00 percent of business loans were located in moderate-income CTs. The following table summarizes the distribution of business loans by CT income level.

Geographic Distribution of Loans to Businesses in Midland MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	5.19	5.00	29.25	20.00	35.36	20.00	30.20	55.00

Source: Loan sample; Dunn and Bradstreet data.

Geographic distribution of consumer loans in this AA is adequate. The geographic distribution of sampled consumer loans in low-income CTs is in line with the percentage of households in these areas. In the AA, 4.63 percent of households are located in low-income CTs, and our sample reflected that 4.55 percent of consumer loans were located in low-income CTs. The geographic distribution of sampled consumer loans in moderate-income CTs is greater than the percentage of households in these areas. In the AA, 17.23 percent of households are located in moderate-income CTs, and our sample reflected that 18.18 percent of consumer loans were located in moderate-income CTs. The following table summarizes the distribution of consumer loans by CT income level.

Geographic Distribution of Consumer Loans in Midland MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	4.63	4.55	17.23	18.18	44.59	59.09	33.55	18.18

Source: Loan sample; U.S. Census data

Trans-Pecos Region AA

Geographic distribution of business loans in this AA is adequate. There are no low-income CTs in the AA. The geographic distribution of sampled business loans in moderate-income CTs is lower than the percentage of businesses in these areas. The percentage of businesses located in moderate-income CTs is 25.80 percent, and our loan sample reflected that 12.00 percent of business loans were located in moderate-income CTs. WTNB's performance is attributable to the composition of the AA. There are only five moderate-income CTs located in this AA, four in Reeves County and one in Brewster County. The majority of the commercial loans in our sample were originated at WTNB's branch in Brewster County. The following table summarizes the distribution of business loans by CT income level.

Geographic Distribution of Loans to Businesses in Trans-Pecos Region AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00	25.80	12.00	74.20	88.00	0.00	0.00

Source: Loan sample; Dunn and Bradstreet data.

Geographic distribution of consumer loans in this AA is adequate. There are no low-income CTs in the AA. The geographic distribution of sampled consumer loans in moderate-income CTs is in line with the percentage of households in these areas. In the AA, 29.43 percent of households are located in moderate-income CTs, and our sample reflected that 22.22 percent of consumer loans were located in moderate-income CTs. The following table summarizes the distribution of consumer loans by CT income level.

Geographic Distribution of Consumer Loans in Trans-Pecos Region AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	29.43	22.22	70.57	77.78	0.00	0.00

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

Gaines & Yoakum Counties AA

There are no low- or moderate-income CTs in this AA, therefore a geographic analysis was not conducted.

Responses to Complaints

There have been no complaints related to the bank's CRA performance during this evaluation period, and this has a neutral impact on the bank's overall performance.

COMMUNITY DEVELOPMENT TEST

WTNB's performance under the Community Development Test is rated Satisfactory.

Number and Amount of Community Development Loans

The bank has originated an adequate level of CD loans. WTNB originated 17 CD loans totaling \$48.4 million. The bank's CD loans primarily help to provide affordable housing, particularly multifamily and owner occupied. Affordable housing has been identified as a critical need in the bank's AAs. Opportunities for CD lending in the bank's AAs are fairly limited in the Trans-Pecos Region and Gaines & Yoakum Counties AAs. More opportunities for CD lending exist in the Midland MSA AA.

In the Midland MSA AA, WTNB originated 11 loans totaling \$682 thousand through the Midland Community Development Corporation (MCDC). MCDC works very closely with the city of Midland and was founded to promote economic and CD in economically depressed areas of the city through the institution of programs designed to alleviate conditions of unemployment, blight, and increase population density through housing efforts, facilitating the creation of new businesses, and administering education programs. These loans were construction lines of credit that funded 11 affordable homes in low- and moderate-income CTs in the city of Midland. These loans were offered at a zero percent interest rate.

Also in the Midland MSA AA, the bank originated a loan totaling \$18.7 million to finance a large multifamily project through American Opportunity for Housing (AOH), a nonprofit organization headquartered in Texas and a certified Community Housing Development Organization. AOH develops and operates multifamily, workforce housing in major cities in Texas, as well as Alabama, Illinois, Mississippi, Florida, and Pennsylvania. In addition to providing multifamily, workforce housing, AOH also facilitates and coordinates resident social support services with existing local service providers.

WTNB has originated 4 additional loans totaling \$28.6 million through AOH that benefit a broader area of Texas. All four loans finance affordable, multifamily, workforce housing projects. Two projects are located in San Antonio, and two are located in San Marcos.

In the Trans-Pecos Region AA, the bank originated a loan for \$398 thousand to purchase school buses for the Alpine Independent School District. Alpine is located in a designated underserved or distressed middle-income CT.

Number and Amount of Qualified Investments

Qualified investments are investments, deposits, membership shares, or grants that have as their primary purpose “Community Development” as defined in the CRA regulation.

Qualified investments and donations are adequate. WTNB made \$2.3 million in equity investments and donations. Qualified investments include over 70 donations totaling \$113 thousand for all AAs. These donations are directed primarily to nonprofit organizations providing social services to low- and moderate-income individuals.

WTNB purchased \$1.1 million in mortgage-backed securities that provide affordable housing to low- and moderate-income individuals in the Midland MSA AA.

The bank has committed \$1.0 million to the Lone Star Growth Capital, LP. To date, \$800 thousand has been drawn on this commitment, of which \$300 thousand was drawn during the current evaluation period. \$200 thousand remains committed but unfunded. Lone Star Growth Capital, LP is a Small Business Investment Company (SBIC) that provides investment capital in private, middle-market, Texas-based companies located in underserved communities. All investments will be in companies domiciled in low- to moderate-income areas of Texas.

The bank also purchased \$600 thousand in Brewster County Bonds. The proceeds from the sale of these certificates will pay for the construction of two County Emergency Response Centers, construction of a County Public Safety Facility, construction of a vehicle and equipment storage building, and construction and improvements to a public library. These facilities are all considered to be critical infrastructure needs and are located in middle-income underserved or distressed CTs in Brewster County.

Extent to Which the Bank Provides Community Development Services

WTNB’s performance is adequate for CD services considering both delivery of retail products and the level of CD services provided by bank officers and personnel. The primary delivery system for products and services in the AAs is through the branches and ATMs available to bank customers.

WTNB provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different locations within the communities they serve. The bank’s 7 branches and 9 ATMs are located in CTs designated as either distressed or underserved. A new branch was opened in 2009 located at 5401 West Wadley, Midland, TX, and is located in an upper-income CT. Lobby hours and drive-up hours are set by location to meet customer needs. All 14 ATMs are contiguous with banking locations. The following table reflects the composition of the bank’s banking and ATM locations in all AAs.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines	
	#	%	#	%	#	%
Low	2	4.44	1	9.09	2	14.29
Moderate	11	24.44	1	9.09	1	7.14
Middle	24	53.33	7	63.64	9	64.28
Upper	8	17.79	2	18.18	2	14.29
Total	45	100.00	11	100.00	14	100.00

Source: 2010 Census Information; bank information

Customers may access their accounts through the Internet at www.wtnb.com. Services include account balance inquiries, funds transfer activities, and bill pay services. WTNB has a telebanking service, which provides 24-hour access to banking services. The bank also offers a Visa check card that provides customers with additional access to their accounts at point-of-sale or ATM locations.

The level of CD services that WTNB provides in their AAs is adequate. The bank’s primary activity is to support financial literacy. Bank officers and employees are involved with several nonprofit organizations that provide CD services to low- and moderate-income areas and individuals.

The following is an overview of the CD services provided by the bank in all AAs.

- Bank officers teach financial literacy at several schools serving low- to moderate-income families. Financial literacy is also provided to a nonprofit that provides services to victims of domestic assault living in a facility for battered women.
- A bank officer serves in a financial advisory capacity on the Board of Directors for Community and Senior Services of Midland.
- Bank officers serve on boards and committees of civic organizations that provide social services to children from low-income families and at-risk children.

Responsiveness to Community Development Needs

Overall, WTNB’s CD performance demonstrates a reasonable responsiveness to the identified needs in the community, especially through CD lending. The majority of the bank’s CD activities were CD loans for affordable housing. Affordable housing was a credit need identified through community contacts made in the Midland MSA AA. WTNB made loans through the MCDC for new owner-occupied housing, but also provided significant financing for affordable multifamily housing in Midland and a broader area of Texas.

Fair Lending or Other Illegal Credit Practices Review

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