



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 4, 2007

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.

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 61.3 percent during the evaluation period.
- A majority of loans are located in the assessment areas. Based on a sample of 180 loans, 84.4 percent of the number of loans and 81.8 percent of the dollar volume of loans were to borrowers within the AAs.
- Lending to borrowers of different incomes and businesses and farms of different sizes shows reasonable dispersion.
- The geographic distribution reflects a reasonable dispersion throughout the AAs.
- Community development performance demonstrates adequate responsiveness to the needs of its 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 include 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 community development lending, qualified investment, and community development services activities.

- Conclusions regarding the Lending Test are based on the origination of commercial, agricultural, and consumer loans from January 1, 2004 through June 30, 2007.
- Conclusions regarding the Community Development Test are based on investments, services, and loans conducted in WTNB's AAs, which meet the definition of community development. The Community Development Test was conducted using information from last CRA evaluation period, January 22, 2003, through September 10, 2007.
- 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 Ward). Based on the distribution of WTNB's loans and deposits, all AAs will receive full-scope reviews. A

loan sample of 180 loans was used to analyze the CRA lending performance for lending within the AAs. The loan sample consisted of 30 loans for each primary loan type by AA and consisted of:

<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

West Texas National Bank (WTNB) is an intrastate bank headquartered in Midland, Texas. WTNB has ten branches in eight cities throughout the West Texas region. The bank is a wholly owned subsidiary of First West Texas Bancshares, Inc, which reported total assets of \$403 million as of December 31, 2006. WTNB's three affiliates were not considered for community reinvestment act 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, and bill pay services. WTNB also has a telebanking service, which provides 24-hour access to banking services.

As of June 30, 2007, WTNB had total assets of \$405 million, with net loans and leases comprising 58.2 percent of this total. The bank's loan products include business, agricultural, consumer, and residential real estate loans. The following table depicts WTNB's loan portfolio composition.

Loan Portfolio Composition as of June 30, 2007				
Loan Type	\$ (000)	%	#	%
Business Loans	129,948	54.10%	1,537	18.07%
Farm Loans	56,206	23.40%	1,105	12.99%
Consumer Loans	18,718	7.79%	5,270	61.97%
Home Loans	35,333	14.71%	592	6.97%
TOTAL	240,205	100.00%	8,504	100%

Source: June 30, 2007 Uniform Bank Performance Report, Loan Trial Balance

Management and the Board's primary focus is to serve the agricultural, commercial, and consumer customers in West Texas while providing a return to shareholders. The bank meets customer's needs by providing traditional loan and deposit products. Bank lobby and drive-through services are provided Monday through Friday with drive-through services also provided on Saturday at the Midland Downtown 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 January 22, 2003. WTNB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in its assessment area. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF MIDLAND MSA

The Midland MSA consists of Midland County, Texas. The city of Midland is the county seat and the largest city in the county. The main bank and two branches are located in the Midland MSA. The following table provides a description of the Midland MSA AA based on census data and Department of Housing and Urban Development 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
2007 HUD-Adjusted MFI	\$54,800
2006 HUD-Adjusted MFI	\$55,900
2004 & 2005 HUD-Adjusted MFI	\$54,600
<i>Economic Indicators</i>	
Unemployment Rate	2.56%
2007 Median Housing Value	\$74,413
% 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-, 11 middle-, and eight upper-income. The 2000 Census data reflects that 12.1 percent of the households in the Midland MSA 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 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 median housing value is \$74,413, with the median age of housing stock at 34 years.

Competition for financial services in the AA is strong. The June 30, 2006 FDIC Deposit Market Share Report shows \$2.7 billion worth of deposits are divided among 14 financial institutions. The AA includes four branches from multinational banks and several regional community banks. The top two banks (members of nation-wide organizations with eight offices in the Midland MSA) hold over 42.3 percent of the AA deposits. WTNB's deposits in this AA total \$94.4 million, which equates to a 3.5 percent deposit market share.

The focus of the Midland MSA AA economy is oil and gas, and businesses that support this industry. The increase in oil and gas prices has positively impacted the economy of the area. The oil and gas industry has historically been volatile, though economic indicators do not indicate a slowdown in the near future. The largest employers within the AA include the local

school district, Key Energy Services, Warren Equipment Company, Midland Memorial Hospital and Medical Center, and city and county government offices. The unemployment rate for the City of Midland is the lowest in the state at 2.6 percent.

As part of this CRA examination, one community contact was made in the Midland MSA to help ascertain the credit needs of the AA. The community contact noted that there are several opportunities to participate in community service activities. Opportunities for participation by local financial institutions include financial literacy training and lending for affordable housing, and mortgages. The contact also indicated that local banks are meeting the credit needs of the community.

DESCRIPTION OF GAINES & YOAKUM COUNTIES

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 and Yoakum counties AA based on census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Gaines and 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
2007 HUD-Adjusted MFI	\$41,800
2006 HUD-Adjusted MFI	\$43,100
2004 & 2005 HUD-Adjusted MFI	\$42,000
<i>Economic Indicators</i>	
Unemployment Rate	2.79%
2006 Median Housing Value	\$40,106
% 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. The 2000 Census data reflects that 18.8 percent of the households in Gaines and Yoakum counties are below the poverty level. Federal agencies have designated all middle-income census tracts located in the AA as distressed areas due to population losses.

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 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 median housing value is \$40,106, with the median age of housing stock at 36 years.

There are five financial institutions in the AA, which results in a high level of competition for financial services. In addition to WTNB, there are three branches of local area state banks, and one branch of a non-local national bank. The June 30, 2006 FDIC Deposit Market Share Report for Gaines and Yoakum Counties shows WTNB to hold 33.2 percent of the deposits, or the 2nd largest deposit market share in the AA.

Agriculture and oil and gas are the primary industries for the AA. Primary agricultural products include cotton and peanuts. The primary employers of the AA include Seminole Independent School District, Amerada Hess, Denver City Independent School District, and the Memorial Hospital.

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 affordable housing is the most critical need. The contact also stated that the local financial institutions are active in the community and responsive to local credit needs.

DESCRIPTION OF TRANS PECOS REGION

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 one branch located each in Crane, Winkler, and Reeves Counties. The following table provides a description of the Trans Pecos Region AA based on census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Trans-Pecos 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
2007 HUD-Adjusted MFI	\$41,800
2006 HUD-Adjusted MFI	\$43,100
2004 & 2005 HUD-Adjusted MFI	\$42,000
<i>Economic Indicators</i>	
Unemployment Rate	4.36%
2007 Median Housing Value	\$41,098
% 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 census tracts, with a total population of 33,172. The 2000 Census data reflects that 21.6 percent of the households in the AA are below the poverty level. Federal agencies have designated the middle-income census tracts located in the AA as either underserved or distressed.

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 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 \$41,098, with the median age of housing stock at 42 years.

There are six financial institutions in the AA, which results in a moderate level of competition for financial services. The June 30, 2006 FDIC Deposit Market Share Report for the Trans-Pecos AA shows WTNB to have the largest deposit market share with 38.5 percent of the 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. Agricultural products include cotton, feed grains, and cantaloupes. Major employers in Reeves County are the TransPecos Foods processing plant, Reeves County Detention Center, and the local school districts. The Brewster County economic base consists of tourism, ranching, government services, and retirement development. The tourism industry mainly consists of outdoor recreation and adventure activities in the local area and Big Bend National Park. Sul Ross State University in Alpine provides educational and employment opportunities for the region. Crane and Winkler Counties economies are centered in oil and gas production, along with service industries that support oil and gas production.

One community member was contacted within the Trans-Pecos AA. The contact stated local banks are active in the community and responsive to local credit needs. The contact indicated that the largest challenge for the area is affordable housing and maintaining an adequate workforce.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the lending test is rated Satisfactory.

Loan-to-Deposit Ratio

WTNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the AAs. This determination is based on the bank's quarterly average loan-to-deposit ratio from March 30, 2003 through June 30, 2007 of 61.3 percent. During the evaluation period, WTNB's loan-to-deposit ratio ranged from a low of 52.5 percent to a high of 70.6 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the AAs for the same period was 70.2 percent.

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

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 6/30/07)	Average Loan-to-Deposit Ratio
First National Bank of Midland	207,090	54.11%
West Texas National Bank, Midland, TX	421,215	61.32%
West Texas State Bank, Odessa, TX	240,500	65.34%
Community National Bank, Midland, TX	438,409	65.54%
Transpecos Bank, Pecos, TX	126,591	75.25%
Security State Bank, Odessa, TX	221,774	79.38%
Western National Bank, Odessa, TX	754,327	81.74%

Source: Institution Reports of Condition from March 2003 to June 2007

Lending in Assessment Area

WTNB's lending in their 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 60 commercial, 30 farm, and 90 consumer loans originated between January 2004 and June 30, 2007. Our analysis determined that 84.4 percent of the number of loans and 81.8 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 (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	48	80.0	12	20.0	100.0	19,382	75.6	6,260	24.4	100.0
Farm	30	100.0	0	0.0	100.0	8,049	100.0	0	0.0	100.0
Consumer	74	82.2	16	17.8	100.0	1,073	92.3	89	7.7	100.0
Totals	152	84.4	28	15.6	100.0	28,504	81.8	6,349	18.2	100.0

Source: Sample of loans used for CRA performance analysis

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

The distribution of loans made to borrowers of different income levels and businesses and farms of different sizes is satisfactory. WTNB's performance for commercial and consumer lending in the Midland MSA AA, agricultural and consumer lending in the Gaines and Yoakum Counties AA, and the commercial and consumer lending in the Trans Pecos Region AA reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes throughout the AAs.

Commercial and Agricultural Lending

For the Midland MSA AA, the penetration of commercial loans to businesses with revenues less than \$1 million is somewhat lower by both the number of loans and dollar amount of loans. Revenues are unknown for 29.5 percent of the business loans in the AA, which reduces the reliability of this analysis. 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	64.5%	6.0%	29.5%	100%
% of Bank Loans in AA by #	57.7%	38.5%	3.8%	100%
% of Bank Loans in AA by \$	15.7%	84.1%	0.2%	100%

Source: Loan sample; Dun and Bradstreet data.

For the Gaines and Yoakum Counties AA, the penetration of farm loans with revenues less than \$1 million is lower by both the number of loans and dollar amount of loans. Recent economic activity in the AA indicates that farm sizes have increased. The 2002 National Agricultural Statistics Service reflected that the average farm size for farms in Gaines County is 1,048 acres and 1,527 acres for Yoakum County. The trend in increased farm size is reflected in WTNB's lending performance for farm customers. The following table shows the distribution of farm loans among businesses of different sizes within this AA.

Borrower Distribution of Loans to Farms in Gaines & Yoakum Counties AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	93.5%	5.5%	1.0%	100%
% of Bank Loans in AA by #	66.7%	23.3%	10.0%	100%
% of Bank Loans in AA by \$	38.2%	58.6%	3.2%	100%

Source: Loan sample; Dun and Bradstreet data.

For the Trans Pecos Region AA, the penetration of business loans with revenues less than \$1 million exceeds the number of loans and meets the dollar amount of loans. Revenues are unknown for 33.5 percent of the AA loans, which reduces the reliability of this analysis. The following table shows the distribution of commercial loans among businesses of different sizes within 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	62.8%	3.7%	33.5%	100%
% of Bank Loans in AA by #	80.9%	19.1%	0.0%	100%
% of Bank Loans in AA by \$	62.8%	37.2%	0.0%	100%

Source: Loan sample; Dun and Bradstreet data.

Consumer Lending

The distribution of consumer loans in the Midland MSA AA to low-income borrowers is below the percentage of low-income households. A low-income individual earns less than \$27.5 thousand based on the HUD updated 2007 family income, with 12.1 percent of the households in the AA living below the poverty level. Furthermore, competition for all loan types is strong in the AA with numerous banks and personal loan companies vying for these products. The bank's percentage of consumer loans made to moderate-income borrowers is greater than the percentage of moderate-income households located in the AA. The following table shows the distribution of consumer loans made to borrowers of different income levels within this AA.

Borrower Distribution of Consumer Loans in Midland MSA 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	20.2%	10.0%	15.0%	25.0%	17.7%	45.0%	47.1%	20.0%

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

The distribution of consumer loans in the Gaines and Yoakum Counties AA is below the percentage of low-income households. A low-income individual earns less than \$20.9 thousand based on updated 2007 HUD family income with 18.8 percent of the households in the AA living below the poverty level. The bank's percentage of consumer loans to moderate-income

borrowers is greater than the percentage of moderate-income households located in the AA. The following table shows the distribution of consumer loans made to 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	22.7%	7.1%	17.5%	21.4%	18.2%	17.9%	41.6%	53.6%

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

The distribution of consumer loans in the Trans Pecos Region AA exceeds the percentage of low- and moderate-income households. The following table shows the distribution of consumer loans made to 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	
	% 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	27.9%	32.0%	18.1%	20.0%	19.4%	24.0%	34.6%	24.0%

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

Geographic Distribution of Loans

The geographic distribution of loans is satisfactory. Performance for both commercial and consumer lending in the Midland MSA AA and the Trans Pecos Region AA reflects a reasonable dispersion throughout the AAs.

Geographic distribution conclusions are based on lending in the Midland MSA AA and the Trans Pecos Region AA. The Gaines and Yoakum Counties AA did not have any low- or moderate-income census tracts. Therefore, no detailed geographic distribution information is included for this area.

Commercial Lending

The geographic distribution of the sampled business loans in the Midland MSA AA exceeds the percentage of households in low- and moderate-income census tracts based on 2000 U.S. Census information. The following table shows the distribution of commercial loans among census tracts of different income levels within this AA.

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
Business Loans	5.8%	3.9%	32.0%	42.3%	35.2%	11.5%	27.0%	42.3%

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

There are no low-income census tracts in the Trans Pecos Region AA. Approximately 14.3 percent of the sampled business loans were located in moderate-income census tracts, which is below the demographic percentage of AA businesses in moderate-income census tracts. There are approximately 583 businesses located in the moderate-income census tracts in this AA. WTNB's level of performance is attributable to the composition of the AA. The Trans Pecos Region AA is comprised of four noncontiguous counties consisting of Brewster, Crane, Reeves, and Winkler Counties and contains five moderate-income census tracts. Of the moderate-income census tracts, four are located in Reeves County and one is located in Brewster County. The majority of the commercial lending in this AA was originated by the WTNB branch location in Brewster County. The following table shows the distribution of commercial loans among census tracts of different income levels within the AA.

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
Business Loans	0.0%	0.0%	27.0%	14.3%	73.0%	85.7%	0.0%	0.0%

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

Consumer Lending

The geographic distribution of the sampled consumer loans in the Midland MSA AA exceeds the percentage of households in low- and moderate-income census tracts based on 2000 U.S. Census information. The following table shows the distribution of consumer loans among census tracts of different income levels within this AA.

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	4.6%	4.8%	17.2%	28.6%	44.6%	52.3%	33.6%	14.3%

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

WTNB made 44.0 percent of the sampled loans in moderate-income census tracts, which significantly exceeds the 29.4 percent of households located in the moderate-income census tracts. This level of performance is attributable to the composition of the Trans Pecos Region AA. As previously detailed, four of the five moderate-income census tracts are located in

Reeves County. The WTNB branch location in Reeves County has a higher level of consumer lending than other WTNB branch locations situated in this AA. The following table shows the distribution of consumer loans among census tracts of different income levels within this AA.

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	0.0%	0.0%	29.4%	44.0%	70.6%	56.0%	0.0%	0.0%

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

Responses to Complaints

WTNB did not receive any CRA related complaints during the CRA evaluation period.

Community Development Test

WTNB’s performance under the Community Development Test is rated **“Satisfactory.”**

The bank’s community development (CD) performance reflects an adequate responsiveness to CD needs within the AAs. The bank has conducted CD activities through a mix of CD loans, investments, and services. The availability of bank products has a positive impact on the overall community development rating. The branch distribution is good. More detail on the level of activity within each of the three components of the CD Test is provided below, along with the regulatory definition of CD.

According to the definition set forth in 12 CFR 25, Community Development means:

- Affordable housing for low- or moderate-income individuals;
- Community services targeted to low- or moderate-income individuals;
- Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
- Activities that revitalize or stabilize:
 - low- or moderate-income geographies;
 - designated disaster areas; or
 - distressed or underserved non-metropolitan middle-income geographies.

Community Development Loans

CD loans are those loans whose primary purpose is CD as defined above and that are not included for consideration under the bank’s Lending Test discussed earlier in this Performance Evaluation.

The level of CD lending is adequate. During the evaluation period, WTNB originated seven qualifying CD loans totaling \$2.4 million located in the Midland MSA AA. Loans were originated for the purpose of providing affordable housing to low- and moderate-income individuals. WTNB has worked with the Midland Community Development Corporation (CDC)

and the Midland Neighborhood Housing Services organizations.

During 2006 and 2007, WTNB funded five interim-construction loans totaling \$322 thousand in conjunction with a project by the Midland CDC. The loans were to construct single family residences located in the city of Midland Tax Increment Recovery Zone (TIRZ), which is comprised in part of three low- and moderate-income census tracts. The city of Midland established the TIRZ in 2001 to address the declining economic conditions in the downtown Midland area. The residences will be built on vacant properties in the TIRZ. The homes will be sold to low- and moderate-income families. Special financing terms have been arranged through local banks for first-time homebuyers who meet HUD maximum income guidelines.

Qualified Investments

Qualified investments and donations are adequate. WTNB has made a total of \$1.1 million in equity investments and donations. Qualified investments include 16 donations totaling \$83 thousand for CD purposes in each of the bank's AAs. These donations are primarily to organizations that provide CD services to low- or moderate-income individuals or provide affordable housing in the AAs.

WTNB has committed to a \$1 million equity investment in Lone Star Growth Capital, LP. As of this examination date, \$500 thousand has been funded. This investment vehicle was purchased through a Community Development Entity under the new markets tax credit program to provide funding for small businesses in low- to moderate-income tracts throughout Texas. These tracts are defined as those with more than 20 percent below the poverty level or median family income less than 80 percent of the area median income.

Community Development Services

WTNB's community development services reflect an adequate responsiveness to the needs and opportunities within the bank's AAs. Service delivery systems are readily accessible to geographies and individuals of different income levels within the AAs. Business hours and services are convenient and are accessible to all segments of the AAs. Our review found that bank personnel provide adequate community development services to low- and moderate-income individuals and geographies.

Branch and ATM delivery systems include 10 full-service branch locations and 13 automated teller machines (ATMs). In the first quarter of 2007, WTNB improved accessibility of its delivery systems by opening a branch in a low-income census tract within the Midland MSA. Of the bank's 10 full-service branches, six are located in non-metropolitan middle-income census tracts that have been designated either distressed or under-served by Federal Regulators. The following table shows the distribution of WTNB banking locations and ATMs.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	2	4.44%	1	10.00%	2	15.39%
Moderate	11	24.44%	2	20.00%	2	15.39%
Middle	24	53.33%	6	60.00%	8	61.53%
Upper	8	17.79%	1	10.00%	1	7.69%
NA						
Total	45	100.00%	10	100.00%	13**	100.00%

Source: 2000 U.S. Census Data; *No ATMs accept deposits; **Includes 11 ATMs contiguous to banking locations.

Banking hours provide adequate accessibility throughout the AAs. In addition to normal lobby hours, the bank offers extended hours for those customers using the teller drive-up facilities. The bank’s telephone banking service with a personal representative is available Monday through Thursday from 8 a.m. to 5 p.m. The bank offers other alternative delivery systems that augment the branch and ATM systems including 24-hour telephone banking and Internet banking.

Products and services are responsive to banking needs within the AAs and do not vary in a way that inconveniences any portion of the AAs, or any group of individuals, particularly low- to moderate-income individuals. An adequate range of loan and deposit products are available to customers in all AAs and income levels. In the first quarter of 2007, WTNB implemented the “Pay-By-Touch” check cashing service. This service allows non-customers to cash approved checks including government and payroll checks with lower associated fees than check cashing operations in the local area. The bank is offering these services in an attempt to reach un-banked individuals. As non-customers begin using this product, it is anticipated that they will become more comfortable in a banking environment and in-turn, begin accessing other financial services offered by the bank.

Bank officers and employees provide adequate community development services to low- and moderate-income individuals and geographies. The following are qualified community development services detailed under their respective assessment areas.

Midland MSA AA

Community & Senior Services of Midland - This non-profit organization’s primary purpose is to provide an array of services to the elderly and disabled population in the City of Midland. The numerous services emphasize serving individuals who are low-income. A bank officer currently serves as an advisory director on the Finance Committee. This officer provides technical assistance on financial matters ranging from budgeting to fund raising activities.

Gaines & Yoakum Counties AA

United Fund of Denver City – This non-profit organization provides numerous services to low- and moderate-income individuals and families. These services include the meals on wheels program targeted to low-income senior citizens and the Salvation Army, which provides clothing, food, and medical services to low- and moderate-income individuals. A bank officer

currently holds the position of Treasurer, which requires provisions of technical advice on financial matters. This officer is also in charge of the organization's financial recordkeeping requirements.

Trans-Pecos Region AA

Salvation Army of Alpine - This non-profit organization's primary goal is to meet the various needs of the City of Alpine's low-income individuals and families. Services range from medical and dental assistance to sending children to summer camp or supplying gasoline, food, and clothing to low- and moderate-income individuals. A bank officer serves as Treasurer for this organization and provides technical assistance on financial matters to include bookkeeping and various fund raising efforts.

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.