



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 15, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Western National Bank
Charter Number: 16658

2700 West County Road
Odessa, TX 79760

Office of the 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.

The bank's lending and community development test ratings are supported by the following findings.

- The bank's loan-to-deposit ratio of 78.76 percent since the last CRA examination in April, 2005 is more than reasonable considering the size of the bank and the credit needs of its assessment areas (AAs).
- A substantial majority of loans were made to borrowers within its AAs with 78.22 percent of the number of loans and 68.33 percent of the dollars advanced to borrowers within the bank's AAs based on the sample of loans we reviewed.
- Lending to borrowers of different income levels and to businesses with different revenue levels is reasonable based on our review of primary loan products.
- Geographic distribution of loans reflects a reasonable dispersion throughout the AAs based on the samples reviewed.
- Western National Bank's (WNB) community development activities reflect an adequate responsiveness to the identified needs in the communities through community development loans, investments, and services.

Scope of Examination

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated WNB under the intermediate small bank performance criteria, which includes a lending test and a community development test. The lending test evaluates WNB's record of helping to meet the credit needs of its AAs through its lending activities. The community development test evaluates community development lending, qualified investment, and community development services activities conducted in WNB's AAs. This evaluation covers the period from the date of the previous CRA Examination, April 20, 2005 through October 15, 2009.

- Lending test conclusions are based on our review of a sample of the bank's primary loan products for each AA. We considered small business loans from January 1, 2007 through August 31, 2009 and residential real estate lending from January 1, 2005 through August 31, 2009. These were considered the primary loan products for both the Midland, TX and Odessa, TX Metropolitan Statistical Area (MSA) AAs as of the beginning of the evaluation period, though home mortgage products declined significantly during 2008 and 2009. As the accuracy of the Home Mortgage Disclosure Act (HMDA) data had been previously tested, we relied on reported HMDA data for the reviews in Midland and Odessa. The primary product in the Bexar County AA was identified as small business lending, and that was also reviewed through a sample of loans for the 2007 to 2009 period previously stated.

- Our analysis included a full-scope evaluation for the Midland, TX MSA AA and the Odessa, TX MSA AA. Approximately 63 percent and 18 percent of the bank’s loans and 50.9 percent and 43.5 percent of deposits are within these AAs, respectively. The Midland, TX MSA AA contains three of the bank’s seven offices, including the operations center. The Odessa, TX MSA AA has three locations including the home office. We performed a limited-scope evaluation for the Bexar County AA, which has one branch location holding 0.6 percent of the deposits and 19 percent of the loans.
- Our analysis for the lending test used the most recent available demographic data. We analyzed lending performance using a loan sample of 519 loans. The loan sample consisted of 446 HMDA reportable loans and a total of 73 small business loans from all AAs based on the primary loan types as detailed below:

<u>Assessment Area</u>	<u>Primary Loan Types</u>
Midland, TX MSA	Small Business and Home Mortgage
Odessa, TX MSA	Small Business and Home Mortgage
Bexar County	Small Business

Description of Institution

WNB is an intrastate bank located in Odessa, Texas and was chartered in 1977. WNB is a wholly owned subsidiary of WNB Financial Corporation, a Delaware corporation, which is wholly owned by WNB Bancshares, Inc., headquartered in Odessa, Texas. As of December 31, 2008, the holding company reported total assets of \$953 million. The holding company has one non-bank subsidiary, WNB Capital Trust I, a statutory trust formed to administer the holding company’s subordinated debt securities. In addition, WNB has six affiliates, of which five were not considered in this evaluation of CRA performance. One affiliate, Permian Basin Community Development Corporation (PBCDC), was created to invest in mortgage loans to low- and moderate-income individuals and to make community development loans. Additional discussion of PBCDC activities is included under the Investment Test section of this PE.

As of June 30, 2009, WNB had total assets of \$986 million with net loans and leases comprising 68.3 percent of this total. The bank’s primary focus is commercial lending centered in the oil and gas industry and related businesses, followed by consumer lending including home loans. See the following for additional information on the composition of the bank’s loan portfolio as of June 30, 2009.

Loan Portfolio Composition as of June 30, 2009				
Loan Type	\$ (000)	%	# of Notes	%
Commercial	339,902	49.86	660	39.71
Commercial Real Estate	283,171	41.54	256	15.40
Residential Real Estate	20,470	3.00	78	4.69
Lease Financing Receivables	16,242	2.38	314	18.89
Agriculture Real Estate	12,875	1.89	8	0.49
Consumer	8,141	1.19	338	20.34
Other	870	0.14	8	0.48
TOTAL	681,671	100%	1,662	100%

Source: June 30, 2009 Call Report and Loan Trial Balance

WNB's philosophy is to be a full-service institution by providing a wide array of financial services to businesses and commercial customers. Based on a review of loans originated during this assessment period, 2.3 percent of loans by dollar amount and 21.5 percent by number, were made to consumers. WNB is an intrastate bank with seven banking centers in Odessa, Midland, and San Antonio. The bank's main location and five branches are located in Odessa and Midland. During the evaluation periods, three new branches were opened, including the branch in San Antonio, and three were closed.

In addition to its banking centers, WNB provides bank customers free access to their accounts through a network of 159 non-proprietary automated teller machines (ATMs) located throughout West Texas and Central New Mexico. WNB also offers alternative delivery channels including Internet banking at www.wnbonline.com and Smartline telephone banking.

This Office assigned a Satisfactory rating under large bank criteria in the prior Public Evaluation dated April 20, 2005.

WNB has no legal or financial circumstances that could impede the bank's 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

WNB has three AAs, including two MSAs. Our analysis included a full-scope evaluation for the Odessa, TX MSA AA and the Midland, TX MSA AA. The Odessa, TX MSA AA contains three of the bank's seven offices, including the main office. The Midland, TX MSA AA contains three of the remaining four offices. We performed a limited-scope evaluation for the Bexar County AA, which has one branch location.

Odessa, TX MSA AA

The AA consists of Ector County, Texas. The city of Odessa is the county seat and the largest city in the county. WNB's main office, as well as two full-service branches, is located in Odessa. The following table provides a description of the Odessa, TX MSA AA based on Census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Odessa, TX MSA AA	
<i>Population</i>	
Number of Families	31,856
Number of Households	43,806
<i>Geographies</i>	
Number of Census Tracts	29
% Low-Income Census Tracts	3.45%
% Moderate-Income Census Tracts	20.69%
% Middle-Income Census Tracts	41.38%
% Upper-Income Census Tracts	34.48%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,250
2009 HUD-Adjusted MFI	\$49,000
<i>Economic Indicators</i>	
Unemployment Rate	3.44%
2000 Median Housing Value	\$49,407
% of Households Below Poverty Level	18.38%

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 29 census tracts (CT) consisting of 1 low-income tract, 6 moderate-income, 12 middle-income, and 10 upper-income tracts, with a total population of 121,123. The 2000 Census data reflects that 18.38 percent of the households in the AA are below the poverty level.

According to 2000 Census data, there are 49,500 housing units in the AA, of which 60.8 percent are owner-occupied, 27.8 percent are renter-occupied, and 11.4 percent are vacant. Approximately 21.2 percent of families in the AA are considered low-income. Moderate-income families approximate 17.5 percent, while middle- and upper-income families make up the remaining 62.3 percent. The median housing value is \$49,407 with the median age of housing stock at 33 years.

The city of Odessa is also located in the Permian Basin. As such, the local economy is centered on oil and gas production and the many service companies that support this industry. Top employers in the AA are oil and gas related companies, Ector County Independent School District, Medical Center Hospital, Wal-Mart Stores, Inc, and the City of Odessa.

Competition for financial services in the AA is very strong. The June 30, 2009 FDIC Deposit Market Share Report for the Odessa, TX MSA AA shows \$1.9 billion of deposits are divided among 15 financial institutions. The AA includes four branches from multi-national banks and several regional community banks. WNB's deposits in this AA total \$364 million, which equates to 18.4 percent deposit market share, representing the largest percentage in the AA.

Midland, TX MSA AA

The AA consists of Midland County, Texas. The city of Midland is the county seat and the largest city in the county. Three WNB branches are located in the Midland, TX MSA AA. The following table provides a description of the Midland, TX MSA AA based on census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Midland, TX 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
2009 HUD-Adjusted MFI	\$60,200
<i>Economic Indicators</i>	
Unemployment Rate	2.56%
2000 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 includes 27 CTs with a total population of 116,009. The CTs consist of two low-income, six moderate-income, eleven middle-income, and eight upper-income tracts. The 2000 Census data reflects that 12.12 percent of the households in the Midland, TX 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 median housing value is \$74,413 with the median age of housing stock at 28 years.

The city of Midland is at the center of the 100-mile radius Permian Basin, and it is the administrative and management center for the oil and gas industry of the Permian Basin. Consequently, the focus of the Midland, TX MSA AA economy is oil and gas and businesses that support this industry. The Permian Basin produces approximately 16 percent of the nation's oil and 7 percent of the nation's natural gas. Recent data indicates that approximately one-third of drilling activity is directed to natural gas. Due to a high level of economic activity beginning in 2008, Midland has experienced severe labor shortages. The local oil and gas industry pays high wages and is able to hire labor away from other local non-oil businesses. Due to lower commodity prices in 2009, the labor market is not as tight.

Competition for financial services in the AA is very strong. The June 30, 2009 FDIC Deposit Market Share Report for the Midland, TX MSA AA shows \$3.3 billion of deposits divided among 13 financial institutions. The AA includes four branches from multi-national banks and several regional community banks. The top two banks (members of nation-wide organizations with eight offices in the Midland, TX MSA AA) hold over 36.2 percent of the AA deposits. WNB's deposits in this AA total \$426 million, which equates to a 12.9 percent deposit market share.

The overall economy of the area is largely based on oil and gas production. The oil and gas industry has historically been volatile. Record prices of oil earlier in 2008 approached \$150 per barrel, with current prices hovering close to \$70 to \$80 per barrel. The largest employers within the AA include the many oil and gas related companies, Midland Independent School District, and Midland Memorial Hospital and Medical Center. For 2008, the Bureau of Labor and Statistics' unemployment analysis shows Midland County to have one of the lowest unemployment rates in the state of Texas.

Efforts are being made to diversify the local economy. A quarter-cent sales tax increase was recently approved to be used for economic development. These funds are to help recruit new businesses and expand existing businesses in the city.

Bexar County AA

This AA consists of Bexar County and is part of the San Antonio, TX MSA. The principal city in the AA is San Antonio, which is also the county seat. The bank has one branch located in the AA, and it is in the city of San Antonio. The following table provides a description of the Bexar County AA based on Census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Bexar County AA	
<i>Population</i>	
Number of Families	347,923
Number of Households	489,252
<i>Geographies</i>	
Number of Census Tracts	278
% Low-Income Census Tracts	4.32%
% Moderate-Income Census Tracts	41.01%
% Middle-Income Census Tracts	28.42%
% Upper-Income Census Tracts	25.18%
% N/A Census Tracts	1.08%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$44,591
2009 HUD-Adjusted MFI	\$57,200
<i>Economic Indicators</i>	
Unemployment Rate	2.66%
2000 Median Housing Value	\$82,887
% of Households Below Poverty Level	14.30%

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 278 CTs, 44.3 percent of which are considered low- or moderate-income. The 2000 Census data reflects that 14.3 percent of the households in Bexar County are below the poverty level.

According to 2000 Census data, the AA has a total population of 1.4 million. There are 521,359 housing units in the AA, of which 57.4 percent are owner-occupied, 36.4 percent are renter-occupied, and 6.2 percent are vacant. Approximately 22.0 percent of families in the AA are considered low-income. Moderate-income families approximate 18.1 percent, while middle- and upper-income families make up the remaining 59.9 percent. The median housing value is \$82,887 with the median age of housing stock at 26 years.

Competition for financial services in the AA is very strong. The June 30, 2009 FDIC Deposit Market Share Report for Bexar County AA shows \$49.2 billion of deposits divided among 42 financial institutions. The AA includes 238 branches from multi-national banks and several regional community banks. WNB's deposits in this AA total \$39 million, which equates to a 0.07 percent deposit market share.

Bexar County is home to the city of San Antonio, which is Texas' second largest city. San Antonio has a favorable business climate and is ranked as the fourth best city in the U.S. for creative professionals by Fast Company Magazine. The magazine cited San Antonio's affordability, family-friendly atmosphere, and Hispanic-rich culture as top selling points. Top employers for Bexar County include 3 military bases followed by USAA Insurance Company and the Methodist Hospital System. Bexar County is also the home of 10 universities and colleges with a combined student population of 100,000.

As part of this CRA examination, we made two community contacts to help ascertain the credit needs of the AAs. One contact was in the Midland, TX MSA AA and one in the Bexar County AA. Both of the community contacts noted that there were numerous opportunities to participate in community service activities. Opportunities for participation by local financial institutions include financial literacy training and lending for affordable housing and small businesses. The contacts also indicated that local banks are responsive to meeting the credit needs of the community.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

WNB's loan-to-deposit ratio is more than 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 31, 2005 through June 30, 2009 of 78.76 percent. During the evaluation period, WNB's loan-to-deposit ratio ranged from a low of 66.2 percent to a high of 91.0 percent. The average loan-to-deposit ratio of similar banks within or contiguous to the AAs

for the same period was 71.1 percent. The quarterly average loan-to-deposit ratio for each similar bank in or contiguous to the AAs is depicted in the following table.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 06/30/2009)	Average Loan-to-Deposit Ratio
Community National Bank, Midland	538,855	64.67%
First National Bank of Midland	352,028	68.03%
Jefferson Bank, San Antonio	665,977	82.93%
Security Bank, Odessa	438,517	77.07%
Western National Bank, Odessa	986,028	78.76%
West Texas National Bank, Midland	505,315	62.85%

Source: Institution Reports of Condition from March 2005 to June 2009

Lending in Assessment Area

WNB's lending in its AAs meets the standards for satisfactory performance. In order to assess performance for this criterion, we reviewed 75 commercial loans originated between January 2007 and August 28, 2009. Our analysis determined that 78.22 percent of the number of loans and 68.33 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.

Table 1 - Lending in all Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	61	82.43	13	17.57	100.0	68,369	84.20	12,833	15.80	100.0
Home Improvement	16	88.89	2	11.11	100.0	1142	80.76	272	19.24	100.0
Home Purchase	260	76.93	78	23.07	100.0	30,718	51.06	29,448	48.94	100.0
Home Refinance	69	77.53	20	22.47	100.0	10,327	54.33	8,682	45.67	100.0
Totals	406	78.22	113	21.78	100.0	110,556	68.33	51,235	31.67	100.0

Source: Loan samples; HMDA data reported by bank

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

The distribution of loans made to individuals and families of different income levels and to businesses of different sizes is reasonable. Emphasis was given to small business lending and residential real estate lending.

Midland, TX MSA AA

The distribution of loans to businesses of different sizes is adequate. We observed that loans originated to businesses with revenues less than \$1 million is somewhat lower than the percentage of businesses of the same size in the AA for both the number of loans and dollar amount of loans. The percentage of businesses within the AA that generate revenues less than \$1 million is 91.93 percent based on independent data provided by Dunn and Bradstreet. WNB

originated 70.00 percent of its total business loans to businesses with revenues less than \$1 million. As noted in the performance context, the local economy is centered in oil and gas production and the companies that support this industry. The level of gross revenues generated by these business entities increased as the price of oil and gas increased. The following table shows the distribution of commercial loans among businesses of different sizes in this AA. The dollar volume percentage was somewhat skewed by a single large loan in the sample that was to a borrower outside the AA. The ratio for number of loans is more representative of the bank's performance.

Borrower Distribution of Business Loans in Midland, TX MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	91.93%	8.07%	0.00%	100%
% of Bank Loans in AA by #	70.00%	25.00%	5.00%	100%
% of Bank Loans in AA by \$	19.49%	80.48%	0.03%	100%

Source: Loan sample; Dunn and Bradstreet data

Distribution of residential loans to borrowers of different income levels is also adequate. Residential loans to low-income borrowers are somewhat lower than the percentage of low-income families in the AA. Also, the percentage of loans to moderate-income borrowers is lower than the level of moderate-income families in the AA. Approximately, 20.88 percent of families are low-income and 18.60 percent are moderate-income. Based on the updated median family income for the area of \$60,200, low-income families in the AA earn less than \$30,100 per year. In addition, roughly 12.12 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$74,413. It is often difficult for low- and moderate-income individuals to qualify for mortgage loans at median housing values due to insufficient income levels and/or down payments.

The following table reflects the analysis of HMDA reportable loans from 2005 through June 30, 2009.

Borrower Distribution of Residential Real Estate Loans in Midland, TX MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.88%	17.44%	18.60%	12.79%	19.33%	22.09%	41.20%	47.67%
Home Improvement	20.88%	0.00%	18.60%	25.00%	19.33%	0.00%	41.20%	75.00%
Refinancings	20.88%	9.52%	18.60%	9.52%	19.33%	19.05%	41.20%	61.90%
Total	20.88%	15.51%	18.60%	12.93%	19.33%	19.83%	41.20%	51.73%

Odessa, TX MSA AA

Distribution of business loans across revenue levels is adequate. The distribution of loans originated to businesses with revenues less than \$1 million is somewhat lower than the percentage of businesses of the same size in the AA for both the number of loans and dollar amount of loans. The percentage of businesses within the AA that generate revenues less than

\$1 million is 62.30 percent based on independent data provided by Dunn and Bradstreet. WNB originated 30.00 percent of its total business loans to businesses with revenues less than \$1 million. As noted also in the Midland, TX MSA AA Borrower Distribution of Business Loans, the local economy is centered in oil and gas production, and the companies that support this industry are currently experiencing higher revenues due to high oil and gas prices. This sample was skewed by one large loan of \$16 million that represented 70.00 percent of the sample. Twelve of the 20 loans tested were for amounts below \$250 thousand, reflecting adequate levels of lending for small business loans. The following table shows the distribution of sampled commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Business Loans in Odessa, TX MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62.30%	5.24%	32.46%	100%
% of Bank Loans in AA by #	30.00%	65.00%	5.00%	100%
% of Bank Loans in AA by \$	10.88%	88.92%	0.19%	100%

Source: Loan sample; Dunn and Bradstreet data

Distribution for residential loans is adequate in the AA. Residential loans to low-income borrowers are somewhat lower than the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is only slightly lower than the level of moderate-income families in the AA. Approximately, 21.22 percent of families are low-income and 17.50 percent are moderate-income. Based on the updated median family income for the area of \$49,000, low-income families in the AA earn less than \$24,500 per year. In addition, roughly 18.38 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$49,407. It is often difficult for low- and moderate-income individuals to qualify for mortgage loans at median housing values due to insufficient income levels and/or funds for down payments.

The following table reflects the analysis of HMDA reportable loans for 2005 through June 30, 2009.

Borrower Distribution of Residential Real Estate Loans in Odessa, TX MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.22%	5.38%	17.50%	18.28%	21.98%	22.58%	39.30%	53.76%
Home Improvement	21.22%	0.00%	17.50%	0.00 %	21.98%	0.00%	39.30%	100.0%
Refinancings	21.22%	0.00%	17.50%	0.00%	21.98%	10.00%	39.30%	90.00%
Total	21.22%	4.54 %	17.50%	16.36%	21.98%	20.92%	39.30%	58.18%

Assessment Area with Limited Scope Review

Based on limited-scope reviews, the bank’s lending performance for businesses of different sizes in Bexar County AA is not inconsistent with the bank’s overall performance given the limited presence of the bank in that AA.

Geographic Distribution of Loans

WNB's geographic loan distribution is satisfactory. Performance for small businesses reflects a reasonable dispersion throughout the AA.

Midland, TX MSA AA

Geographic distribution of small business loans is good in the AA. The geographic distribution of sampled small business loans in low-income CTs is near the percentage of small businesses in these areas. The percentage of businesses located in low-income CTs is 6.14 percent, and our loan sample reflected that 5.00 percent of small business loans were located in low-income CTs. In addition, the distribution of sampled loans to small businesses in moderate-income CTs is near the percentage of small businesses in these areas. The following table summarizes the distribution of small business loans by CT income level.

Geographic Distribution of Loans to Businesses in Midland, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	6.14%	5.00%	33.77%	30.00%	34.69%	45.00%	25.41%	20.00%

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

Borrower distribution for residential loans is adequate for the Midland, TX MSA AA. The percentage distribution of residential loans is lower than the percentage of owner-occupied housing units in low-income CTs. In the AA, only 4.50 percent or 1,338 owner-occupied housing units are located in low-income geographies. This results in limited opportunities to make mortgage loans in these geographies. The percentage distribution of mortgage loans is somewhat lower than the percentage of owner-occupied housing units in moderate-income CTs.

The following table reflects the analysis of residential loans for 2005 through June 30, 2009.

Geographic Distribution of Residential Real Estate Loans in Midland, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.50%	4.44%	18.42%	13.33%	44.68%	40.00%	32.40%	42.22%
Home Improvement	4.50%	0.0 %	18.42%	0.0%	44.68%	100.0%	32.40%	0.0%
Refinancings	4.50%	0.0%	18.42%	0.0%	44.68%	36.36%	32.40%	63.64%
Total	4.50%	3.44%	18.42%	10.34%	44.68%	41.38%	32.40%	44.84%

Source: HMDA reports; U.S. Census data.

Odessa, TX MSA AA

Geographic distribution for small business loans is excellent compared to the demographic information for businesses in the AA. The geographic distribution of sampled small business

loans in low-income CTs exceeds the percentage of small businesses in these areas. The percentage of businesses located in low-income CTs is 1.47 percent, and our loan sample reflected that 5.00 percent of small business loans were located in low-income CTs. In addition, the distribution of sampled loans to small businesses in moderate-income CTs exceeds the percentage of small businesses in these areas. The following table summarizes the distribution of small business loans by CT income level.

Geographic Distribution of Loans to Businesses in Odessa, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	1.47%	5.00%	19.39%	25.00%	38.73%	45.00%	40.40%	25.00%

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

Though geographic distribution of residential loans is lower than the percentage of owner-occupied housing units in low- and moderate-income CTs, it is considered reasonable. In the AA, only 2.25 percent or 676 owner-occupied housing units are located in low-income geographies. This results in limited opportunities to make mortgage loans in these geographies. The percentage distribution of mortgage loans is somewhat lower than the percentage of owner-occupied housing units in moderate-income CTs.

The following table reflects the analysis of residential loans for 2005 through June 30, 2009.

Geographic Distribution of Residential Real Estate Loans in Odessa, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.25%	1.03%	15.94%	7.22%	43.46%	51.55%	38.35%	40.21%
Home Improvement	2.25%	0.0 %	15.94%	33.33%	43.46%	0.0%	38.35%	66.67%
Refinancings	2.25%	0.00%	15.94%	0.0%	43.46%	30.00%	38.35%	70.00%
Total	2.25%	0.92%	15.94%	7.27%	43.46%	48.18%	38.35%	43.63%

Assessment Area with Limited Scope Review

Based on limited scope reviews, the bank's lending performance for loan distribution of small business loans in Bexar County AA is not inconsistent with the bank's overall performance given the limited presence of the bank in that AA.

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

WNB'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 branch distribution is satisfactory. 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 found 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 Lending

During the evaluation period, WNB advanced \$1.2 million for fifteen loans to the Midland Community Development Corporation or the Midland Neighborhood Housing Service to purchase lots and/or to construct 1-4 family residences for low- or moderate-income persons in low- or moderate-income CTs within the Midland, TX MSA AA. These loans are granted at a zero percent interest rate. The bank subsequently participates 100 percent of the loans to the Permian Basin Community Development Corporation to allow for on-going financing of additional projects.

Qualified Investments

During this evaluation period, WNB's qualified investments included donations to 19 organizations totaling \$4.19 million. WNB's qualified investments in the Midland, TX MSA AA included donations to nine organizations totaling \$96 thousand. Qualified investments in the Odessa, TX MSA AA included donations to three organizations for \$64 thousand. Four donations that benefited both the Odessa, TX MSA AA and the Midland, TX MSA AA totaled \$4 million. Qualified investments for the Bexar County AA included two donations for \$11 thousand. All funds are specifically targeted to benefit low- or moderate-income individuals or to support organizations whose major purpose is revitalizing low- and moderate-income CTs within the AAs.

WNB also purchased equity investments of which \$1.73 million qualified as benefiting low- or moderate-income households. The collateral for these two FNMA mortgage-backed securities consists of loans made entirely for properties in low- or moderate-income tracts, in their

communities, and to borrowers with incomes less than 80 percent of the Midland and Odessa, TX MSA AAs and Bexar County AA median incomes. This helps to meet the need for affordable housing for low- or moderate-income persons in all the bank's AAs.

Community Development Services

WNB's CD services include the bank's products, services, and branch locations that may provide assistance or community services to low- or moderate-income individuals. In addition to their full-service branch and ATM locations, WNB also offers Internet banking and telephone banking for added availability to the bank's products. Branch and ATM delivery systems include seven full-service branch locations, six ATMs, and free access to a large ATM network. WNB has two branches, or 42.86 percent of the bank's full-service locations, located in moderate-income CTs. The table below provides a summary of WNB's branch and ATM distribution.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	14	4.20%	0	0.00%	0	0.00%
Moderate	126	37.84%	2	42.86%	1	16.67%
Middle	102	30.63%	3	28.57%	3	50.00%
Upper	88	26.43%	2	28.57%	2	33.33%
NA	3	0.9%	0	0.00%	0	0.00%
Total	333	100.00%	7	100.00%	6	100.00%

Source: 2000 U.S. Census Data; *No ATMs accept deposits

Through its employees, WNB is also involved in a variety of community development services that reflect an adequate responsiveness to the communities' needs. Many of the bank's employees are involved with organizations that provide services to low- and moderate-income individuals. Numerous officers and bank employees also provide technical assistance through participation on finance or budget committees of local entities that provide services to low- or moderate-income persons in the Midland, TX MSA AA, Odessa, TX MSA AA, and Bexar County AAs. Although not a comprehensive list, some of the community development services include:

City of Midland – The City of Midland applied for housing grants from the Federal Home Loan Bank. The grants were used for construction and rehabilitation assistance for qualified borrowers. The grant funds target homeowners that are designated low-income. WNB bank officers were instrumental in the application process by providing technical financial assistance to the City of Midland.

Habitat for Humanity – Habitat for Humanity provides affordable housing to low- and moderate-income families in Midland County. Owner occupants purchase the house and pay no interest on the home cost. Bank employees prepare and file Affordable Housing Program applications in order to obtain grants from the Federal Home Loan Bank to build homes for low- and moderate-income individuals.

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.