



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**May 07, 2001**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Western National Bank  
Charter Number 16658**

**2700 West County Road  
Odessa, TX 79760**

**Comptroller of the Currency  
Southwestern District  
ADC - Austin  
8310 Capital of Texas Highway North Suite 250  
Austin, TX 78731**

**NOTE:** 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.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Western National Bank (WNB), Odessa, Texas, as prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of May 07, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated **"Satisfactory."**

WNB's lending performance reflects an appropriate level of responsiveness to community credit needs. The following highlights the bank's performance:

- Loan-to-deposit (LTD) ratio is well above other area banks' LTD ratio. WNB's LTD ratio averaged 82.3% from 1997 through 2000. The average LTD ration for local banks sharing similar characteristics was 57.8% for the same period. This level of lending activity exceeds the standard for satisfactory performance.
- A substantial majority of the number and a majority of the dollar volume of loans currently in the bank's portfolio are in the bank's assessment area.
- The distribution of borrowers reflects a satisfactory level of lending to low- and moderate-income families. The distribution also reflects a satisfactory level of lending to small businesses within the bank's assessment area.
- The geographic distribution of loans reflects a reasonable dispersion of credit throughout WNB's assessment area.
- WNB received a Satisfactory rating at its February 7, 1997 CRA examination and has not received any complaints concerning the bank's CRA performance since that time.

## Description of Institution

WNB is a \$323 million bank headquartered in Odessa, Texas, that is 100% owned by WNB Bancshares, Inc. (WNBI), a one-bank holding company. WNB's main office and two branches are located in Odessa, Ector County, Texas. Also, two branches are located in Midland, Midland County, Texas; the second of which opened May 2000. The new branch is consumer-oriented.

The bank's loan portfolio totals \$210 million or 71% of average assets as of March 31, 2001. The following table reflects a breakdown of loan products by type.

Loan Portfolio Composition		
Loan Type	Amount (000)	% of Total Loans
Commercial and Industrial Loans	147,338	70%
Commercial Real Estate Loans	41,096	20%
Residential Real Estate Loans	9,827	5%
Consumer Loans	7,175	3%
Construction and Development Loans	3,612	2%
Agricultural Loans	791	Negligible
Total	209,839	100%

WNB offers a full range of commercial and consumer loan products and deposit products that are available at all of its branch locations. The bank provides access to banking services through its web site at [www.wnbonline.com](http://www.wnbonline.com). Services include account access, statement review, funds transfer, and bill payment services. The bank also offers 24-Hour Smart Line telephone banking. Services include account balance inquiries, funds transfer, verification of direct deposit and automated teller machine (ATM) activity, and interest payments. Although the bank has no proprietary ATMs, free access to accounts is afforded through 170 ATMs located throughout West Texas and Central New Mexico. These ATMs are located in the 7-Eleven convenience stores previously owned by the Wood Family, a major shareholder of WNBI.

WNB faces strong competition from area banks, savings and loans, investment brokerage firms, credit unions, pawn shops, and finance companies. Based on its financial condition, the local economies, product offerings, competition and prior performance, WNB has the ability to meet the various credit needs in its communities. There are no legal factors impeding the bank's ability to help meet the credit needs in its assessment area.

## Description of Odessa-Midland Assessment Area

WNB has its main office and two branches located in Odessa, Texas. It also has two branches located in Midland, Texas. Both of these cities are located in the Odessa-Midland Metropolitan Statistical Area (MSA), number 5800, which encompasses all of Ector and Midland counties. WNB's assessment area meets the requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts.

## Odessa-Midland MSA #5800 Assessment Area

This assessment area includes the communities of Midland, Odessa, Gardendale, Goldsmith, Notrees, and Penwell. The local economy is strong with major employers including federal and local governments and service industries.

Based on 1990 Census data, the assessment area has a population of 226 thousand spread over 56 census tracts: 5 low-income, 14 moderate-income, 18 middle-income, and 19 upper-income tracts. Wage/salary earners comprise 81% of the population and 16% are self-employed. Twenty-seven percent of the population is on either social security or public assistance, 10% are retired, and 16% are below the poverty level. Housing stock stands at 93,970 units with 57% being owner-occupied 30% tenant-occupied, and 13% vacant. The average median year built for area housing is 1969.

Information from the Department of Housing and Urban Development (HUD) reports the updated 1999 median family income for this area at \$39,800. Based on this data, low-income families comprise 22% of the assessment area, moderate-income families comprise 17%, and middle- and upper- income families comprise 21% and 40%, respectively.

The local economy is sound but remains highly dependent on the volatile oil and gas industry. Many local employers are involved in the production and service of oil and gas wells. Other major employers include Odessa Junior College, the University of Texas-Permian Basin, the Midland Junior College, and local governmental entities.

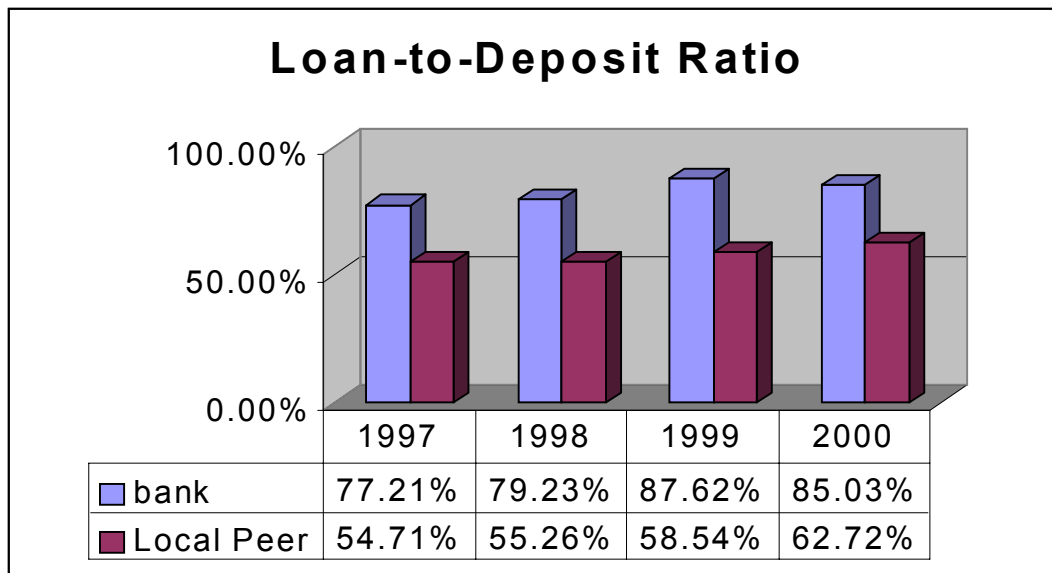
We made two community contacts with individuals knowledgeable of the economic and business development environment in the Odessa and Midland, Texas areas during this examination. Both contacts indicated that the local economies are in sound condition as a result of higher oil and gas prices, and that business opportunities are good. They also stated that local banks were supportive of economic development in the area.

### **Conclusions With Respect to Performance Criteria**

Management's lending products and practices have been successful in meeting the credit needs of the assessment areas, including low- and moderate-income individuals, consistent with WNB's resources and capabilities.

### **Loan-to-Deposit Ratio**

WNB's LTD ratio averaged 82.3% from 1997 through December 31, 2000. The average LTD ratio for local banks sharing similar characteristics was 57.8% for the same period. WNB's LTD ratio, as of March 31, 2001 was 74%. The decline in the ratio is attributed to a significant increase in deposits during the first quarter in 2001, not a decline in lending activity. The level of lending exceeds the standard for satisfactory performance. An historical comparison of WNB's LTD ratio to other local banks' LTD ratio is illustrated on the following page.



### Lending in the Assessment Area

A substantial majority of the number (88%) and dollar volume (72%) of the loans in WNB’s loan portfolio is in the bank’s assessment area as of March 31, 2001. Based on the bank’s Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR), 81% of the number and 65% of the dollar volume of residential loans originated during 1997, 1998, and 1999, were in the bank’s assessment area. We tested the integrity of the HMDA LAR data during our examination and found it to be accurate. We also analyzed consumer loan samples. These reports indicate that 73% of the number and 79% of the dollar volume of consumer loans originated were in the bank’s assessment area.

### Lending to Borrowers of Different Incomes and to Business of Different Sizes

The loan distribution to individuals with different income levels within the assessment area meets the standard for satisfactory performance. Our review of consumer loans originated from 1999 through March 31, 2001 reflected a level of lending to low-income families that was below area demographics. However, the level of lending to moderate-income families was significantly above area demographics. This is attributable to the strong competition for consumer loans from finance companies, credit unions, and pawnshops located throughout the area. These entities target the small dollar and older vehicle secured loan markets that are primarily utilized by lower-income individuals.

Our review of all residential loans originated in the Midland/Odessa area and detailed on the 1997, 1998, and 1999 HMDA-LAR indicated that the level of lending to low-income families was below demographic characteristics of the assessment area. This is attributable to a strong demand for rental property by the transient population in MSA #5800, “Oil Patch,” and a soft demand for lower-income housing. Bank management reported that individuals are hesitant to upgrade or purchase housing due to the volatile oil- and gas-driven economy and the fear of committing to potentially higher housing costs. The details of our review are reflected in the following chart.

<b>Loan Sample Distributed by Income Group Odessa - Midland MSA</b>										
<b>2000 Updated Median Family Income</b>	<b>Low- Income Families</b>		<b>Moderate- Income Families</b>		<b>Middle- Income Families</b>		<b>Upper- Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographics</b>	22%		17%		21%		40%		100%	
<b># of Families</b>	13,464		10,335		12,435		24,461		60,695	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	5	11%	15	32%	14	30%	13	27%	47	100%
<b>Home Purchase or Refinance</b>	2	4%	9	17%	10	19%	31	60%	52	100%
<b>Home Improvement</b>	1	3%	8	27%	2	7%	19	63%	30	100%

We also reviewed 41 commercial loans originated from 1999 through March 31, 2001, and all agricultural loans currently in the bank's portfolio to determine the distribution among businesses of different sizes. Our analysis reflected a satisfactory dispersion with 58% of commercial and agricultural loans being granted to entities having gross revenues of less than \$1 million. With the local economy being highly dependent on the volatile oil and gas industry, larger, better-capitalized commercial entities have been the survivors of economic downturns during the mid-eighties, early-nineties, and late-nineties. Details of our review are reflected in the following table.

<b>Lending to Businesses of Different Sizes</b>										
<b>Gross Revenues \$</b>	<b>Less than 100,000</b>		<b>100,000 &gt; 250,000</b>		<b>250,000 &gt; 1,000,000</b>		<b>More than 1,000,000</b>		<b>Total</b>	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Agricultural</b>	1	25%	0	0%	2	50%	1	25%	4	100%
<b>Commercial</b>	1	2%	2	5%	20	49%	18	44%	41	100%

The distribution of loans reflects a satisfactory dispersion of credit throughout the bank's assessment area. We performed an analysis of residential loans originated from 1997 through 2000 and consumer loans originated during 1999 through March 31, 2001. With the volatile nature of the local economy, management reports that low- and moderate-income individuals have been hesitant to upgrade to higher income areas for fear of the loss in wages should another downturn occur. It should be noted that a slump in the local economy occurred during the period this evaluation covers. The distribution is reflected in the table on the following page.

<b>Lending in Areas of Different Income Levels Odessa - Midland MSA</b>										
<b>1990 Census Data % of Total Demographic Areas in AA:</b>	<b>Low- Income Areas</b> 9%		<b>Moderate- Income Areas</b> 25%		<b>Middle- Income Areas</b> 32%		<b>Upper- Income Areas</b> 34%		<b>Total</b> 100%	
<b>Count</b>	5		14		18		19		56	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	2	5%	10	21%	25	53%	10	21%	47	100%
<b>Home Purchase or Refinance</b>	2	4%	9	17%	10	20%	31	60%	52	100%
<b>Home Improvement</b>		3%	8	27%	2	7%	19	63%	30	100%

### **Response to Complaints**

The bank has received no consumer complaints concerning its CRA performance since our February 2, 1997 examination.

### **Other Pertinent Information**

We performed a Fair Lending examination during this evaluation and we found no evidence of disparate treatment or discriminatory practices.