



PUBLIC DISCLOSURE

November 1, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Andrews
Charter Number 14788

1501 N. Main
Andrews, TX 79714

Office of the Comptroller of the Currency

5001 West Loop 289
Suite 250
Lubbock, TX 79414

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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on a reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A substantial majority of loans sampled are within the bank's assessment area (AA).
- Lending to individuals of various income levels and businesses of different sizes is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.

The National Bank of Andrews (NBA or bank) quarterly average loan-to-deposit (LTD) ratio for the 18 quarters from March 31, 2017, to July 30, 2021, is 68.4 percent. The average LTD of similarly situated institutions for the same period is 47.9 percent, with low and high averages of 16.1 and 97.4 percent, respectively. These institutions are located within or adjacent to the AA and have total assets below \$580 million.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its assessment area (AA).

The bank originated and purchased 89 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	25	93	2	7	27	5,255	88	748	12	6,003
Small Business	24	86	4	14	28	6,872	90	750	10	7,622
Total	49	89	6	11	55	12,127	89	1,498	11	13,625

Source: Sample of loans.

Description of Institution

NBA is a \$260 million community bank headquartered in Andrews, Texas, approximately 35 miles northwest of Odessa, Texas. The bank is a wholly owned subsidiary of Andrews Bancshares Inc. (ABI), a single-bank holding company. NBA is a single state bank with its main office, drive-through, and two branches all located in Andrews, Texas. There was no merger or acquisition activity during the evaluation period.

The bank offers a full range of commercial and consumer banking products and related financial services. Bank lobby and drive-through services are provided Monday through Friday, with Saturday service available at the drive-through and a branch. NBA also offers banking services through its mobile application and website at www.nbabankonline.com.

As of September 30, 2021, net loans and leases comprised 61 percent of total assets. The bank's primary loan products include commercial and residential real estate loans, both by dollar volume. NBA's business strategy is to provide banking services to commercial, consumer, real estate, and agricultural customers within its AA.

NBA has no legal or financial circumstances that would impede the bank's ability to help meet community credit needs. The bank received a Satisfactory rating at its May 15, 2017 CRA evaluation.

NBA has designated Andrews County as its AA. The AA is comprised of whole geographies, meets regulatory requirements, and does not arbitrarily exclude any low-to moderate-income areas. There are four census tracts in the AA. One tract is middle-income and three are upper-income.

The local economy is based on the extraction of oil and gas and related businesses. The economy experienced negative impact from the pandemic and recent downturn in oil prices. It has since recovered and stabilized. Continued economic growth is expected for the area. Outside of energy production, the Andrews County government, Andrews Independent School District, and local hospital represent the largest employers within the AA. Competition is high in the AA. In addition to NBA, there is a local state bank, several finance companies, and three credit unions. The June 30, 2020 FDIC Market Share Report shows that NBA ranks first with 62 percent of all deposits. The local state bank holds a majority of the remaining at 36 percent.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2018, through December 31, 2020. The OCC evaluated NBA using small bank CRA performance standards that include five performance criteria: the LTD ratio, lending in the AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. Geographic distribution of loans was not considered as the bank's AA does not contain any low- to moderate-income census tracts (CTs).

To evaluate NBA's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the Andrews County AA. Primary loan

types are those products originated at the highest percentage by number and/or dollar volume of loans and business strategy. During this evaluation period, primary products consisted of home mortgage and commercial loans.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings.

NBA only has one rating area, which is the State of Texas. The bank’s overall rating is based on a full-scope review of its sole AA within the state.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- A reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A substantial majority of loans sampled are within the bank's assessment area (AA).
- Lending to individuals of various income levels and businesses of different sizes is reasonable.

Description of Institution's Operations in Texas

The National Bank of Andrews (NBA) is a \$260 million community bank headquartered in Andrews, Texas, approximately 35 miles northwest of Odessa, Texas. NBA is a single state bank with its main office, drive-through, and two branches all located in Andrews, Texas.

The bank offers a full range of commercial and consumer banking products and related financial services. NBA's business strategy is to provide banking services to commercial, consumer, real estate, and agricultural customers within its AA.

NBA has designated Andrews County as its AA. The AA is comprised of whole geographies, meets regulatory requirements, and does not arbitrarily exclude any low-to moderate-income areas. There are four census tracts in the AA. One tract is middle-income and three are upper-income.

The local economy is based on the extraction of oil and gas and related businesses. Outside of energy production, the Andrews County government, Andrews Independent School District, and local hospital represent the largest employers within the AA. Competition is high in the AA. In addition to NBA, there is a local state bank, several finance companies, and three credit unions. The June 30, 2020 FDIC Market Share Report shows that NBA ranks first with 62 percent of all deposits. The local state bank holds a majority of the remaining at 36 percent.

We contacted a local organization to develop a community profile and identify opportunities for community development participation by local financial institutions. According to our contact, the primary community need is for entry-level residential properties. Multiple residential and commercial developments are underway that will offer financial institutions participation opportunities. The contact noted that the area financial institutions continue to serve community credit needs and are regularly involved in community development activities. NBA was specifically referenced as a strong community partner.

Andrews County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Andrews County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	25.0	75.0	0.0
Population by Geography	16,775	0.0	0.0	27.6	72.4	0.0
Housing Units by Geography	6,013	0.0	0.0	27.0	73.0	0.0
Owner-Occupied Units by Geography	4,090	0.0	0.0	22.3	77.7	0.0
Occupied Rental Units by Geography	1,386	0.0	0.0	35.7	64.3	0.0
Vacant Units by Geography	537	0.0	0.0	40.4	59.6	0.0
Businesses by Geography	1,121	0.0	0.0	31.5	68.5	0.0
Farms by Geography	19	0.0	0.0	10.5	89.5	0.0
Family Distribution by Income Level	4,258	13.6	12.2	11.4	62.8	0.0
Household Distribution by Income Level	5,476	13.9	12.2	12.1	61.8	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$116,231
			Median Gross Rent			\$942
			Families Below Poverty Level			9.3%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Texas

As discussed earlier, the institution has one AA. The AA received a full-scope review. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, home mortgage and small business loans were analyzed.

LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Andrews County AA is good.

Distribution of Loans by Income Level of the Geography

The Andrews County AA does not contain low- or moderate-income census tracts. For this reason, a geographic distribution analysis of the AA is not meaningful and was not performed.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels in the Andrews County AA. NBA originated 4 percent of home mortgages to moderate-income families compared to the demographic of 12 percent. There were no originations to low-income families within our sample. This is reasonable as the energy industry drives a high median housing cost that makes it challenging for low- and moderate-income borrowers. The average median housing price in the AA was \$116,231 making it difficult for low- and moderate- individuals to qualify for home mortgage loans. Competition from mortgage finance companies within the AA has increased as home buyers have sought lower, long-term fixed rates.

Small Loans to Businesses

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of loans to small businesses reflects reasonable penetration. The percentage of bank originated loans to small businesses is slightly below the percentage of businesses within the AA that report less than \$1 million in revenues and significantly exceeds the aggregate lending for these businesses.

Responses to Complaints

NBA did not receive any CRA-related complaints during the performance evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2018 to December 31, 2020	
Bank Products Reviewed:	Home mortgage and small business loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Andrews County AA	Full-Scope	Home mortgage and small business loans

Appendix B: Summary of MMSA and State Ratings

RATINGS	The National Bank of Andrews
Overall Bank:	Lending Test Rating
The National Bank of Andrews	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2018-2020

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Andrews County AA 2020	25	5,255	100	521	13.6	0	1.3	12.2	4	5.2	11.4	8	18.0	62.8	88	56.8	0.0	0	18.6
Total	25	5,255	100	521	13.6	0	1.3	12.2	4	5.2	11.4	8	18.0	62.8	88	56.8	0.0	0	18.6

Source: 2015 ACS Census ; 01/01/2018 - 12/21/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2018-2020

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Andrews County AA	24	6,872	100	318	83.4	75	28	4.1	25	12.5	0
Total	24	6,872	100	318	83.4	75	28	4.1	25	12.5	0

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0