



## **PUBLIC DISCLOSURE**

May 15, 2017

### **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  
Lubbock Field Office  
5225 South Loop 289  
Suite 108  
Lubbock, TX 79424-1319

**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 National Bank of Andrews (NBA) has a reasonable quarterly average loan-to-deposit ratio of 56 percent during the evaluation period.
- NBA originated a majority of its loans by number (83 percent) and dollar volume (81 percent) to businesses and individuals located within the assessment area (AA).
- NBA's loan portfolio reflects a reasonable penetration among businesses of different sizes and individuals of various income levels.

## **SCOPE OF EXAMINATION**

We evaluated NBA under the small bank performance standards, which include five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

To evaluate NBA's lending performance, a random sample of loans was selected based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by number and/or dollar volume of loans. During this evaluation period, primary products consisted of commercial and consumer loans, with more heavy weighting to commercial loans. To assess performance, we reviewed 25 commercial and 22 residential real estate loans originated between June 30, 2012 and year-to-date 2017.

## **DESCRIPTION OF INSTITUTION**

NBA is a \$179 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 an intrastate bank with its main office, drive-through, and two branches all located in Andrews. 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](http://www.nbabankonline.com).

As of December 31, 2016, net loans and leases comprised 55 percent of total assets. The bank's primary loan products include commercial and residential real estate loans, both by dollar volume. The following chart shows a breakdown of NBA's loan portfolio as of December 31, 2016.

<b>Loan Portfolio Composition as of December 31, 2016</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
<b>Commercial</b>	<b>68,201</b>	<b>43.27</b>
<b>Residential Real Estate (1-4 family)</b>	<b>18,075</b>	<b>18.45</b>
Consumer	5,027	5.13
Agricultural	1,145	1.17
Other	5,521	5.64
Total	97,969	100.00

Source: Bank Loan Trial Balance

Based on its financial condition, the local economy, product offerings, competition, and prior performance, NBA has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at its last examination on August 3, 2012.

NBA's business strategy is to provide banking services to commercial, consumer, real estate, and agricultural customers in its AA. NBA has no legal or financial circumstances that would impede the bank's ability to help meet community credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

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- or moderate-income areas. There are four census tracts in the AA. Two are middle-income and two are upper-income. Based on 2010 Census data, the AA has a total population of 14,786. There are 5,707 housing units in the AA, of which 73 percent are owner-occupied, 18 percent are renter-occupied, and 9 percent are vacant. Approximately 17 percent of the families in the AA are considered low-income. Moderate-income families approximate 13 percent of the population, while middle- and upper-income families comprise the remaining 70 percent.

The local economy is based on the extraction of oil and gas and related businesses. This sector of the economy is currently stable after experiencing a significant decline in the last year. A low-level radioactive waste disposal site located in the western portion of Andrews County, and a uranium enrichment facility just over the New Mexico border provide several hundred jobs for Andrews County residents. The largest non-energy related employers within the AA include the Andrews Independent School District, the local hospital, and Andrews County government. Key Energy and Basic Energy Services are the largest energy employers.

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, 2016 FDIC Market Share Report shows that NBA ranks first with 60 percent of all deposits.

We contacted a local government official to determine a community profile and identify opportunities for community development participation by local financial institutions. Our contact indicated the principal credit needs of the community is lending for residential properties. The contact indicated the local financial institutions are conservative and continue to serve the community's credit needs. Specific demographic data and economic data for this area are listed below.

<b>Demographic and Economic Characteristics of the AA</b>	
Population	
Number of Families	3,892
Number of Households	5,205
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0.0
% Moderate-Income Census Tracts/BNA	0.0
% Middle-Income Census Tracts/BNA	50.0
% Upper-Income Census Tracts/BNA	50.0
Median Family Income (MFI)	
2010 MFI for AA	57,557
2016 HUD-Adjusted MFI	52,400
Economic Indicators	
Unemployment Rate	3.56%
2016 Median Housing Value	83,774
% of Households Below Poverty Level	14.08%

Source: 2010 Census data and 2016 HUD updated income data

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

NBA's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the bank's quarterly average LTD ratio for 18 quarters from September 30, 2012 through December 31, 2016 of 56.27 percent. The quarterly average net LTD ratios of five similarly situated banks located in or adjacent to the AA for the same period ranges from 32.82 percent to 84.65 percent, averaging 60.16 percent.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 12/31/2016)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>The National Bank of Andrews</b>	<b>\$179,258</b>	<b>56.27%</b>
Bank of Texas - Midland	\$276,245	84.65%
The First National Bank of Stanton	\$161,625	37.31%
Southwest Bank - Odessa	\$332,918	71.89%
Commercial State Bank - Andrews	\$506,436	74.11%
The Lamesa National Bank	\$313,420	32.82%

Source: Institution Reports of Condition from September 2012 to December 2016

## Lending in Assessment Area

A majority of NBA's loans, 85 percent by number and 84 percent by dollar amount, were extended to borrowers who live or operate their businesses inside the AA. The breakdown by loan category is illustrated in the following table.

Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	20	80.00	5	20.00	100	9,867	82.47	2,097	17.53	100
Residential Real Estate	20	90.91	2	9.09	100	2,634	90.13	288	9.87	100
Totals	40	<b>85.11</b>	7	14.89	100	12,501	<b>83.97</b>	2,386	16.03	100

Source: Sample of bank loans used for CRA performance analysis

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

NBA's loan portfolio reflects an overall reasonable penetration among businesses of different sizes and individuals of various income levels within the AA. To perform our analysis, we reviewed revenue information for 20 commercial loans and 20 residential real estate loans originated in the AA from June 2012 through year-to-date 2017.

The percentage of NBA's commercial loans by number and dollar volume is lower than the demographic of AA businesses with gross annual revenues less than or equal to \$1 million, which is reasonable. Approximately 59 percent of the dollar volume of sampled loans were made to businesses with less than or equal to \$1 million in gross annual revenues, compared to 81 percent of AA businesses reporting revenues less than or equal to \$1 million. NBA's performance is largely indicative of the AA's geography, which includes only middle- and upper-income census tracts. Additionally, AA businesses are materially affected by the success of the local oil and gas industry. Business revenues in the area are generally above average.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.88	5.45	13.68	100%
% of Bank Loans in AA by #	50.00	50.00	0.00	100%
% of Bank Loans in AA by \$	58.42	41.58	0.00	100%

Sources: Loan Sample; 2016 Dunn and Bradstreet data

The percentage of NBA's residential real estate loans by number to moderate-income families is slightly below the ratio of moderate-income families in the AA, which is reasonable. Our sample found that 10 percent of residential real estate loans are made to moderate-income families, compared to 13 percent of moderate-income families in the AA. The percentage of residential real estate loans by number to low-income

families is poor. There are no residential real estate loans in our sample to low-income families, compared to 17 percent of low-income families in the AA. The AA poverty rate of 14 percent, coupled with the comparatively high median housing cost in the AA due to the energy industry, makes it challenging for low-income borrowers to qualify for mortgage loans.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
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	16.62	0.00	13.31	10.00	19.24	15.00	50.82	75.00

*Source: Loan sample; 2010 U.S. Census data*

**Geographic Distribution of Loans**

NBA’s AA does not contain low- or moderate-income census tracts. For this reason, a geographic distribution analysis is not meaningful and was not performed.

**Responses to Complaints**

Neither the bank nor the OCC have received any CRA-related complaints during the evaluation period. This has a neutral effect on the bank’s CRA performance.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any AA, or by an affiliate whose loans have been considered as part of the bank’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.