



SMALL BANK

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

PUBLIC DISCLOSURE

March 24, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Andrews
Charter Number 14788**

**1501 N. Main
Andrews, TX 79714**

**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 National Bank of Andrews (NBA) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 68 percent during the evaluation period.
- A majority of NBA's loans are within the bank's assessment area. Based on a sample of loans, 78 percent of the number of loans and 66 percent of the dollar volume of loans were to borrowers within the assessment area.
- NBA has a reasonable penetration of loans to businesses of different sizes, and individuals of different income (including low- and moderate-income) levels.
- A rating of the geographic distribution of the bank's loans would not be meaningful.
- There have been no complaints with respect to NBA's CRA performance.

DESCRIPTION OF INSTITUTION

NBA is an intrastate bank located in Andrews, Texas, which is approximately 35 miles northwest of Odessa, Texas. The bank is a wholly owned subsidiary of Andrews Bancshares Inc. (ABI), a one-bank holding company located in Andrews, Texas. ABI reported total assets of \$78 million as of December 31, 2005. 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. The bank provides access to banking services through its website at www.nbabankonline.com. Services include account balance inquires, funds transfer, and bill pay services. The bank also offers 24-hour X-Press telephone banking. Services include deposit and loan balance inquiry, funds transfer, and verification of direct deposits and automated teller machine (ATM) activity.

As of December 31, 2005, NBA had total assets of approximately \$78 million, with 58 percent of these assets in the loan portfolio. The bank is primarily a commercial lender with a large volume in commercial & industrial and commercial real estate loans. The following chart details a breakdown of NBA's loan portfolio as of December 31, 2005.

Loan Portfolio Composition as of March 31, 2005		
Loan Category	\$ (000)	%
Commercial & Industrial	15,717	34.81
Commercial RE	11,880	26.31
Consumer	8,075	17.89
Residential RE	7,268	16.10
Agricultural	2,156	4.78
Other	0	0.11
Total	45,146	100.00

Source: March 31, 2005 Report of Condition

NBA has two full-service branches in Andrews and two drive-up facilities. Bank lobby services provided at the main facility are Monday through Friday. The Thriftway store branch has limited Saturday hours. 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 the last examination on October 30, 2001. No legal impediments or other factors hinder NBA's ability to provide credit in its AA.

NBA's business strategy is to provide outstanding banking services to customers in West Texas while increasing the long-term value of the owners' investment. NBA's Tier 1 Capital level is \$6.3 million representing 8.36 percent of adjusted average assets as of December 31, 2005. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ANDREWS COUNTY ASSESSMENT AREA

NBA is located in the city of Andrews and has designated Andrews County as its assessment area (AA). Andrews County is situated on the northern edge of the Permian Basin and is located approximately 35 miles northwest of Odessa. The city of Andrews is the only city in Andrews County.

Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Andrews County AA	
Population	
Number of Families	3,548
Number of Households	4,594
Geographies	
Number of Census Tracts/BNA	
% Low-Income Census Tracts/BNA	0.0
% Moderate-Income Census Tracts/BNA	0.0
% Middle-Income Census Tracts/BNA	75.0
% Upper-Income Census Tracts/BNA	25.0
Median Family Income (MFI)	
2000 MFI for AA	36,380
2005 HUD-Adjusted MFI	42,000
Economic Indicators	
Unemployment Rate	3.44
2005 Median Housing Value	40,606
% of Households Below Poverty Level	17.0

Source: 2000 Census data and HUD updated income data.

The bank's AA is comprised of four contiguous census tracts (CTs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 2000 Census data, the AA as a total population of 13,004. This represents a decline of 9.03 percent from 1990 Census population level. There are 5,400 housing units in the AA, of which 68 percent are owner-occupied, 17 percent are renter-occupied, and 15 percent are vacant. Approximately 18 percent of the families in the AA are considered low-income. Moderate-income families approximate 17 percent of the population, while middle- and upper-income families comprise the remaining 65 percent. The local economy is based on oil and gas and related businesses. Recent increases in oil and gas prices have had a positive impact on the local economy. A low-level radioactive waste disposal site is also situated in the western portion of Andrews County, and provides approximately 100 jobs. The largest non-energy related employers within the AA include the local hospital, a Kirby Company manufacturing plant, and the Andrews Independent School District. Key Energy is the largest energy related employer.

Competition is high in the AA. In addition to NBA, there is a local state bank, several finance companies, and one credit union. A large number of residents in Andrews County utilize the services offered by the credit union.

One community contact was conducted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The contact indicated that the local economy is improving, and that there is a need for affordable housing. The community contact also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA examination is from December 2003 through March 2006, except for the loan-to-deposit ratio. The loan-to-deposit ratio was calculated from December 2001 through December 2005. NBA's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to businesses of different sizes and individuals of different income (including low- and moderate-income) levels.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of NBA is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 68.4 percent since the prior CRA examination in October 2001. During the evaluation period, NBA's loan-to-deposit ratio ranged from a low of 51.4 percent to a high of 69.1 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 50.1 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/05)	Average Loan-to-Deposit Ratio
The National Bank of Andrews	78,121	68.36%
Commercial State Bank - Andrews	189,921	77.52%
The First National Bank of Lamesa	120,921	29.13%
The Lamesa National Bank	184,059	50.23%
Southwest Bank - Odessa	100,774	67.89%
The First National Bank of Stanton	54,543	25.93%

Source: Institution Reports of Condition from December 2001 to December 2005

Lending in Assessment Area

A majority of the bank's loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 commercial and 29 consumer loans that originated between January 2003 and March 2006. Our analysis determined that 78.0 percent of the number of loans and 65.7 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	21	70.0	2,453	63.9	9	30.0	1,387	36.1
Consumer	25	86.2	308	84.7	4	13.8	56	15.3
Total Reviewed	46	78.0	2,761	65.7	13	22.0	1,442	34.3

Source: Sample of loans used for CRA performance analysis

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

NBA’s loan portfolio reflects a reasonable distribution among individuals of various income levels (including low- and moderate-income) and small businesses of different sizes within their AA. To perform our analysis, we reviewed income information for 21 commercial and 25 consumer-purpose loans that originated in the Andrews County AA.

Commercial Loans - Based on 2005 Business Demographic Data, there are 753 businesses within the Andrews County AA. Of this number, 58.8 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the commercial loans sample, 81.0 percent were to businesses reporting annual revenues below \$1 million. This level exceeds the assessment area information and reflects a reasonable penetration of small loans to businesses. The following chart reflects the results of our selected sample of commercial loans originated in the AA.

Borrower Distribution of Loans to Businesses in Andrews County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58.8%	4.9%	36.3%	100%
% of Bank Loans in AA by #	81.0%	19.0%	0.0%	100%
% of Bank Loans in AA by \$	47.0%	53.0%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households in the Andrews County AA. Based on 2000 Census Information, 36.4 percent of households in the AA are low- and moderate-income. Our review determined that 24.2 percent of consumer loans were made to low- and moderate-income households. The distribution of low-income households in our sample is similar to the percentage of low income households in the AA. However, the distribution of consumer loans to moderate-income households in our sample exceeds the percentage of moderate income households in the AA. In addition, NBA will make a consumer loan for as little as \$500. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Andrews County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% of AA Households	20.2%		16.2%		18.6%		45.0%
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	Total	16.0%	8.3%	24.0%	15.9%	20.0%	11.8%	40.0%

Source: Loan sample; 2000 U.S. Census data.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of NBA’s loans. There are no low- or moderate-income census tracts in the bank’s AA. NBA’s AA consists of three middle- and one upper-income Census Tracts. Therefore, this type of analysis would not be meaningful.

Responses to Complaints

No complaints relating to CRA performance have been received by NBA.

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.