



## **PUBLIC DISCLOSURE**

October 19, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Big Bend Banks, National Association  
Charter Number 8674

301 South Highland Avenue  
Marfa, TX 79843

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.**

Big Bend Banks, National Association's (BBB) CRA performance is Satisfactory. The rating is based on the following:

- BBB's average quarterly net loan-to-deposit ratio of 27 percent is reasonable considering the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are located within the bank's AA. About 93 percent of the number of loans and 91 percent of the dollar volume of loans are to borrowers who live or operate their businesses within the AA.
- BBB's distribution of loans to businesses of different sizes and consumer loans to individuals of different income levels is excellent.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses BBB's record of meeting the credit needs of the communities in which it operates. We evaluated BBB using small bank performance criteria. Primary products by number of loans and dollar volume are commercial (including real estate) and consumer loans. We sampled commercial and consumer loans originated in 2014 and 2015 to assess the bank's performance.

**DESCRIPTION OF INSTITUTION**

BBB is an intrastate community bank located in Marfa, Texas. Marfa is the county seat of Presidio County, and is about 200 miles southwest of El Paso, Texas. The bank is wholly owned by Big Bend Bancshares Corporation, a one-bank holding company located in Marfa, Texas. Big Bend Bancshares Corporation reported consolidated assets of \$128 million as of June 30, 2015.

BBB is a full service bank operating in two locations. The main office is in Marfa with a branch in Presidio. Each branch has a drive-up facility and an ATM. BBB's business strategy is to serve consumer, agricultural, and commercial customers in Presidio County. The bank provides traditional loan and deposit products to meet customer needs. BBB has no legal or financial circumstances that impede the bank's ability to help meet the credit needs in the AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks. BBB was rated Satisfactory at the previous CRA evaluation dated September 29, 2008.

As of June 30, 2015, BBB had total assets of \$128 million, with net loans and leases comprising 17 percent of total assets. BBB's loan products include commercial, consumer, residential real estate, and agricultural loans. The following table shows BBB's loan portfolio composition.

<b>Loan Portfolio Composition as of June 30, 2015</b>				
<b>Loan Type</b>	<b>\$000</b>	<b>% of \$</b>	<b>#</b>	<b>% of #</b>
Commercial and Commercial Real Estate	7,742	34%	171	11%
Consumer	6,819	30%	900	59%
Residential Real Estate	5,553	24%	109	7%
Agricultural and Agricultural Real Estate	2,799	12%	28	2%
Other	27	0%	324	21%
<b>Total</b>	<b>22,940</b>	<b>100%</b>	<b>1,532</b>	<b>100%</b>

Source: June 30, 2015 Call Report and bank information.

## DESCRIPTION OF ASSESSMENT AREA

The Board of Directors has designated Presidio County, Texas as the bank's AA. It meets regulatory requirements and does not arbitrarily exclude any low- or moderate- income areas. Specific demographic and economic data for Presidio County are listed below.

<b>Demographic and Economic Characteristics of Presidio County AA</b>	
<i>Population</i>	
Number of Families	1,695
Number of Households	2,617
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	100.00%
% Middle-Income Census Tracts	0.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2015 FFIEC Estimated non-MSA/MD MFI	\$52,800
2014 FFIEC Estimated non-MSA/MD MFI	\$51,600
2015 Estimated Tract MFI	\$38,993
<i>Economic Indicators</i>	
Unemployment Rate	13.80%
2015 Median Housing Value	\$66,270
% of Households Below Poverty Level	27.17%

Source: U.S. Census Data.

Population of the AA is 7,818. About 37 percent of AA households are low-income, 16 percent are moderate-income, 16 percent are middle-income, and 31 percent are upper-income. In addition, a high percentage (27 percent) of households is below the poverty level.

Competition is moderate. BBB is the only bank headquartered in the AA and therefore dominates deposit market share at 88 percent. The only other financial institution physically operating in the AA is a branch of Fort Davis State Bank (FDSB) in Presidio. However, banks chartered in nearby counties also pursue loans in the AA.

Local economic conditions are stable. The AA is reliant on tourism and the agriculture industry. The local community continues to be impacted by gentrification. Major employers in Presidio

County are primarily governmental entities, including the United States Border Patrol, Marfa ISD, and Presidio County.

We interviewed two community contacts for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and ascertaining the performance of local financial institutions. According to the contacts, the primary need in Marfa is affordable housing. The largest obstacle has been qualifying borrowers relative to costly real estate and high construction costs. Outside parties continue to purchase and improve investment properties, resulting in higher valuations and property taxes for local residents. In Presidio, opportunities exist to expand new retail businesses, such as grocery stores.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

BBB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average net loan-to-deposit ratio was 27 percent during the evaluation period. The average net loan-to-deposit ratios of similarly situated banks for the same period averaged 50 percent and ranged from 31 percent to 67 percent. The quarterly average loan-to-deposit ratio for similarly situated banks in or contiguous to the AA is listed below.

Loan-to-Deposit Ratios		
Institution	Total Assets (\$000s) as of 06/30/15	Average Net Loan-to-Deposit Ratio
<b>Big Bend Banks, NA</b>	<b>\$128,362</b>	<b>26.96%</b>
First National Bank of Fort Stockton	\$102,409	31.19%
Fort Davis State Bank	\$71,811	59.55%
Pecos County State Bank	\$213,046	43.87%
TransPecos Bank	\$143,869	66.99%

*Source: June 30, 2015 Reports of Condition*

BBB has experienced significant increases in deposits as a "flight to safety" in response to the economic downturn that occurred in 2008. Deposits increased 51 percent from June 30, 2008 to present, while loans have increased only 6 percent. As a result, the bank's quarterly average net loan-to-deposit ratio declined from 43 percent at the last evaluation.

When considering similarly situated banks, we focused on asset size and location. However, there are differences in the banks that help explain the disparity in net loan-to-deposit ratios. Fort Davis State Bank has branches in three counties and focuses on commercial and residential real estate and lending, which are typically larger loans than the consumer loans originated by BBB. TransPecos Bank has branches in two counties and a loan production office in Bexar County, which is near San Antonio. First National Bank of Fort Stockton recently purchased one branch and operates another branch in Williamson County, which is near Austin. These banks have a broader, more metropolitan market area and customer base than BBB.

## Lending in Assessment Area

A substantial majority of BBB's loans were made inside its AA. We reviewed 28 commercial loans and 26 consumer loans originated in 2014 and 2015. About 93 percent of the number of loans and 91 percent of the dollar amount of loans were originated within the bank's AA. The results by loan category are illustrated in the following table.

Lending in Presidio County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	26	92.9	2	7.1	100.0	2,608,740	90.6	270,000	9.4	100.0
Consumer	24	92.3	2	7.7	100.0	183,848	94.8	10,125	5.2	100.0
Totals	50	<b>92.6</b>	4	7.4	100.0	2,792,588	<b>90.9</b>	280,125	9.1	100.0

Source: Loan sample as of 9/30/15.

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

BBB's borrower distribution reflects overall excellent penetration in both commercial and consumer lending.

BBB business borrower distribution for commercial loans reflects excellent penetration to businesses of different sizes. About 88 percent of loans by number and 85 percent by dollar amount were made to businesses with revenues less than or equal to \$1 million. This compares favorably to demographic data showing 56 percent of businesses reported revenues less than or equal to \$1 million. The following table reflects the results of our sample of commercial loans.

Table 2A - Borrower Distribution of Loans to Businesses in Presidio County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55.63	4.93	39.44	100%
% of Bank Loans in AA by #	<b>88.46</b>	11.54	0.00	100%
% of Bank Loans in AA by \$	<b>85.40</b>	14.60	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans reflects excellent penetration among individuals of different income levels. The distribution of consumer loans to moderate-income households (33 percent) significantly exceeds the demographic (16 percent), and is excellent. The distribution of consumer loans to low-income households (46 percent) exceeds the demographic (37 percent), and is excellent when considering the high level of households at the poverty level, which makes qualifying for loans more difficult. The following table reflects the results of our sample of consumer loans.

Table 2B - Borrower Distribution of Consumer Loans in Presidio County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	36.68	<b>45.83</b>	16.35	<b>33.33</b>	16.62	4.17	30.65	16.67

Source: Loan sample; 2010 US Census data.

### Geographic Distribution of Loans

Geographic distribution analysis is not meaningful, as both census tracts in the AA are moderate-income.

### Responses to Complaints

There were no complaints relating to BBB's CRA performance in the public file nor were any received by the supervisory agency. BBB has systems in place to ensure that complaints are addressed in a timely manner.

### 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 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.