



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 03, 2010**

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

The First National Bank of Floydada  
Charter Number 7045

124 South Main Street  
Floydada, TX 79235-0000

Office of the Comptroller of the Currency

LUBBOCK (WEST TEXAS) 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.**

First National Bank of Floydada (FNB) has a satisfactory performance record under the Community Reinvestment Act (CRA). This is based on the following findings:

- Given the local credit needs and competition, FNB's loan-to-deposit ratio is reasonable when compared to similarly situated financial institutions. The loan-to-deposit ratio averaged 41.22 percent during the evaluation period.
- A majority of FNB's loans are located within the assessment area (AA). Based on a sample of 60 loans, 70.00 percent of the number of loans and 64.94 percent of the dollar volume of loans were to borrowers within the AA.
- FNB's distribution of loans to consumers of different income levels is excellent, and there is reasonable penetration to farms of different sizes.
- An analysis of the geographic distribution of loans was not performed because there are no low-income or moderate-income census tracts in the bank's AA.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNB using four of the five small bank performance criteria: loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to farms of different sizes, and responses to CRA-related complaints. The fifth criterion, which is the geographic distribution of loans, was not evaluated because there are no low to moderate census tracts in the bank's AA.

To evaluate FNB'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 dollar and/or number of loans. Primary loan products during this evaluation period consisted of agricultural and consumer loans. The loan sample consisted of 30 agricultural loans and 30 consumer loans originated between January 2008 and March 2010.

**DESCRIPTION OF INSTITUTION**

FNB is an \$88.2 million community bank located at 124 South Main Street in Floydada, Texas. Floydada is the county seat of Floyd County, TX. It is a rural community located 50 miles northeast of Lubbock, Texas. FNB is wholly owned by Floyd County Bancshares located in Floydada, Texas. FNB does not have any affiliate relationships.

The bank was rated Satisfactory at our previous CRA examination in May 2005. FNB has no legal or financial circumstances that could impede the bank's ability to 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.

FNB is a full-service bank operating from a single location, which includes a drive-up facility

and an automated teller machine (ATM). The bank provides all customary banking services including a wide variety of loan and deposit accounts. Bank lobby and drive-through services are provided Monday through Friday from 9:00 AM to 3:00 PM. FNB also offers a 24-hour tele-banking service and online banking at [www.fnbfloydada.com](http://www.fnbfloydada.com). The online banking service offers access to account information and online transfers between accounts.

As of March 31, 2010, the bank had total assets of \$88.2 million with net loans and leases comprising 30.49 percent of this total. The bank’s loan products include business, farm, consumer, agricultural real estate, and residential real estate loans. The following table depicts FNB’s loan portfolio composition.

<b>Loan Portfolio Composition as of March 31, 2010</b>				
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>	<b># of Notes</b>	<b>%</b>
Agriculture	14,750	54.80	306	48.88
Consumer	977	3.63	138	22.05
Commercial (including real-estate)	2,813	10.45	64	10.22
Real Estate	4,153	15.43	68	10.86
Agriculture Real Estate	4,222	15.69	50	7.99
<b>TOTAL</b>	<b>\$26,915</b>	<b>100%</b>	<b>626</b>	<b>100%</b>

*Source: March 31, 2010 Report of Condition & Bank Loan Trial Balance*

## **DESCRIPTION OF ASSESSMENT AREA**

The Board has established Floyd County as the bank’s AA. This area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. Based on 2000 Census data, Floyd County has a population of approximately 7,771. The largest non-agricultural employers are the Floydada and Lockney Independent School Districts, Lighthouse Electric Coop, and local governments. Specific demographic data and economic data for the AA are listed below.

<b>Demographic and Economic Characteristics of FloydCounty AA</b>	
<i>Population</i>	
Number of Families	2,134
Number of Households	2733
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	0.00
% Middle-Income Census Tracts	100.00
% Upper-Income Census Tracts	0.00
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,295
2006 HUD-Adjusted MFI	\$43,100
2007 HUD-Adjusted MFI	\$41,800
2008 HUD-Adjusted MFI	\$43,600
2009 HUD-Adjusted MFI	\$45,600
<i>Economic Indicators</i>	
Unemployment Rate	2.73%
2009 Median Housing Value	\$38,518
% of Households Below Poverty Level	20.42%

Source: 2000 Census data and HUD updated income data

There are two contiguous census tracts in the AA. This area meets the requirements of the regulation and does not arbitrarily exclude low and moderate income geographies. Demographic information in the AA shows that 25.94 percent of families are low-income and 19.21 percent of families are moderate-income. The unemployment rate is 2.73 percent, and 20.42 percent of households are below the poverty level as of the 2000 Census. The 2009 HUD-Adjusted median family income is \$45,600.

Competition in the AA is strong with four financial institutions and a Farm Service Agency office. Additionally, there is a Federal Land Bank and Ag Credit office in the neighboring town of Plainview. Banks from communities in the surrounding counties also pursue loans in the AA, which results in a significant level of competition for loans in the area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

To evaluate FNB’s lending performance, a sample of 60 loans was reviewed. Primary loan products offered by the bank were sampled. The sample consisted of 30 consumer loans and 30 agricultural loans. Based on the analysis, and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

**Loan-to-Deposit Ratio**

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average loan-to-deposit ratio from March 31, 2005 through March 31, 2010 of 41.22 percent. During the evaluation period, FNB's loan-to-deposit ratio ranged from a low of 29.81 percent to a high of 55.96 percent.

The quarterly average loan-to-deposit ratio for banks in geographies similar to the AA is depicted below. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 03/31/10)</b>	<b>Average Loan-to-Deposit Ratio</b>
Citizens National Bank of Crosbyton	\$41,151	34.82%
Kress National Bank	\$32,261	49.66%
First National Bank of Quitaque	\$46,159	47.86%
<b>First National Bank of Floydada</b>	<b>\$88,247</b>	<b>41.22%</b>
First State Bank of Shallowater	\$48,594	65.94%

*Source: 2000 Census data and HUD updated income data*

**Lending in Assessment Area**

FNB's lending in the AA meets the standards for satisfactory performance. A majority of the bank's loans are made within its AA. Our analysis found that 70.00 percent of the number of loans and 64.94 percent of the dollar amount of loans in our sample were extended within the bank's AA. The breakdown by loan category is illustrated on the following table.

<b>Table 1 - Lending in Floyd County AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	21	70.00	9	30.00	30	119,454	54.55	99,515	45.45	\$218,969
Agricultural	21	70.00	9	30.00	30	2,454,981	65.55	1,290,414	34.45	\$3,745,395
Totals	42	70.00%	18	30.00%	60	\$2,574,435	64.94%	\$1,389,929	35.06%	\$3,964,364

Source: Loan sample used for CRA performance analysis

**Lending to Borrowers of Different Incomes and to Farms of Different Sizes**

FNB's loan portfolio reflects a reasonable distribution among borrowers of various income levels and businesses of different sizes within its AA. To perform our analysis, we reviewed income information of 21 agricultural loans and 21 consumer loans in the AA.

Agricultural Loans - Based on 2009 Business Demographic Data, there are 142 farms within the AA. Of this number 94.37 percent of farm businesses reported revenues less than or equal to \$1 million. Of the loans in our sample 85.71 percent were to farms reporting annual revenues below \$1 million. This level reflects a reasonable penetration of loans to small farms in the AA.

<b>Table 2A - Borrower Distribution of Loans to Farms in Floyd County AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	94.37	3.52	2.11	100%
% of Bank Loans in AA by #	85.71	14.29	0.00	100%
% of Bank Loans in AA by \$	76.07	23.93	0.00	100%

Source: Loan sample, Dunn and Bradstreet data

Consumer Loans - Our analysis reflects an excellent distribution of consumer loans to low- and moderate-income households. Based on 2000 Census information, 45.15 percent of households in the AA are low- and moderate-income. Our review determined that 66.67 percent of consumer loans were made to low- and moderate-income households.

<b>Table 2B - Borrower Distribution of Consumer Loans in Floyd County AA</b>								
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	25.94	28.57	19.21	38.10	17.49	33.33	37.36	0

Source: 2000 Census data; Loan Sample

**Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of FNB's loans. The bank's AA consists of two middle-income census tracts. There are no low- or moderate-income census tracts in the bank's AA. Therefore, a geographic distribution analysis would not be meaningful.

**Responses to Complaints**

There has been one complaint since the previous CRA examination. This complaint was not CRA related, and it was handled in an appropriate and timely manner. This has a neutral impact on the bank's performance. FNB has systems in place to ensure that complaints are handled properly.

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

We found no evidence of discriminatory or other illegal credit practices.