



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

December 10, 2012

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

The First National Bank of Throckmorton  
Charter Number 6001

210 North Minter Avenue  
Throckmorton, TX 76083

Office of the Comptroller of the Currency

9003 Airport Freeway  
Suite 275  
North Richland Hills, TX 76180-9127

**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 Throckmorton's ("FNB") rating is supported by the following conclusions:**

- FNB's loan-to-deposit ("LTD") ratio is reasonable given the bank's size, financial condition, local competition, and assessment area ("AA") credit needs;
- FNB originated a substantial majority of its loans inside its AA;
- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable dispersion;
- And, there have been no CRA-related complaints filed against the bank.

**SCOPE OF EXAMINATION**

FNB qualifies as a Small Bank under the CRA regulation and is therefore subject to a Lending Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of individuals and businesses in its AA, through lending activities.

The evaluation under the Lending Test covers loans originated (or purchased) between January 1, 2010 and December 31, 2011. Performance under the Lending Test was assessed based on samples from the consumer loan portfolio and the agricultural-related commercial loan portfolio. An evaluation of community development activities was not performed during this examination.

**DESCRIPTION OF INSTITUTION**

FNB is part of a one-bank holding company, Throckmorton Bancshares, Inc. and is located in Throckmorton, Texas. FNB has no branches. As of September 30, 2012, the bank's total assets are \$31.4 million, total gross loans are \$14.4 million, and total deposits were \$28.6 million. Drive-through and ATM services are available, hours of operation are consistent with other area banks, and basic, non-complex loan and deposit products are offered to customers. Management has historically focused on providing credit to the community in the form of consumer and agricultural-related loans. The table below details the components of the loan portfolio as of September 30, 2012:

<b>Loan Portfolio Composition as of September 30, 2012</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Agricultural Production	2,263	15.71%
Farm Real Estate	9,253	64.25%
Residential Real Estate	414	2.87%
All Consumer (auto, home, pers)	1,222	8.48%
Other	1,250	8.68%
<b>Total</b>	<b>\$14,402</b>	<b>100.00%</b>

*Data Source: September 30, 2012 Call Report*

There is little competition from area banks and there is only one other bank in the AA. FNB has no impediments, legal or otherwise, that would prevent it from meeting the credit needs of its AA.

The most recent CRA examination, performed as of September 30, 2007, determined the bank's CRA performance to be satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

FNB defines its AA as Throckmorton County. The county consists of only one census tract (“CT”), which has been designated middle income. The bank’s AA complies with the legal requirements of the CRA regulation. There are no low- or moderate-income geographies in the AA and the bank did not arbitrarily exclude those geographies in defining its AA. See the following table for demographic and CT details regarding the AA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Total Population	1,805
Number of Families	535
Number of Households	763
Geographies	
Number of Census Tracts	1
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$34,563
2011 HUD-Adjusted MFI	\$48,600
Economic Indicators	
Unemployment Rate	3.80%
2011 Median Housing Value	\$36,800
% of Households Below Poverty Level	12.71%

The City of Throckmorton occupies 2.5 square miles of Throckmorton County (903 square miles). It is located 130 miles northwest of Fort Worth, Texas. Throckmorton’s population has declined by 8.51 percent over the last ten years, due mostly to the lack of employment opportunities. Major employers in the AA include: Throckmorton County Hospital, Throckmorton Independent School District, and Throckmorton County.

Based on 2011 demographic data, the AA has a total population of 1,850. There are 1,066 housing units in the AA, of which 55.44 percent are owner-occupied, 16.32 percent are renter-occupied, and 28.24 percent are vacant. There are 535 families in the AA, of which 19.63 percent are considered low-income, 20.00 percent are moderate-income, 23.55 percent are middle-income, and 36.82 percent are upper-income.

Additionally, based on 2011 demographic data, there are 259 businesses in the AA. Of these businesses, 63.35 percent reported gross annual revenues of less than \$1 million. Because

reporting is voluntary, 33.94 percent of the businesses did not report revenues. Approximately 71 percent of the businesses in the AA have less than 10 employees.

During a discussion with a member of the community's local leadership, the contact mentioned that affordable rental options are needed. Otherwise, the bank was specifically mentioned as a primary funder of many community beautification projects such as the sidewalk renovation, community swimming pool, and the future courthouse annex.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance under the Lending Test is **"Satisfactory"**.

While agricultural production and farm loans are the bank's primary lending products, there were not a sufficient amount of those types of loans originated during the evaluation period for sampling purposes. Therefore, we evaluated the bank's lending performance using Agriculture-Related (Ag) Commercial loans (aggregation of farm real estate and agriculture production) and all consumer loans (automobile, primary residence, home improvement, and unsecured personal loans). Both samples were weighted equally when determining performance.

### **Loan-to-Deposit Ratio**

FNB's LTD ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, performance context, and AA credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to its community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The bank's average LTD ratio over the last 22 quarters is 55.61 percent; ranging from a quarterly low of 36.31 percent as of December 31, 2008 to a quarterly high of 79.28 percent as of September 30, 2011. The LTD ratio has been positively trending upward during the evaluation period. The average LTD ratio of similarly-situated banks in the AA during the evaluation period is 62.28%; ranging from a quarterly high of 88.59 percent as of June 30, 2008 to a quarterly low of 39.51 percent.

### **Lending in Assessment Area**

FNB's lending in its AA exceeds the standards for satisfactory performance. A substantial majority of the number and dollar amount of agricultural commercial and consumer loans were originated inside the bank's AA. As depicted in the table below, 80 percent of the number and 75 percent of the dollar amount of loans were originated in FNB's AA.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside (\$000s)		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Ag Commercial</b>	16	80%	4	20%	20	1,885	74.69%	654	25.31%	2,539
<b>All Consumer</b>	16	80%	4	20%	20	107	80%	26	20%	133
<b>Totals</b>	<b>32</b>	<b>80%</b>	<b>8</b>	<b>20%</b>	<b>40</b>	<b>\$1,992</b>	<b>75%</b>	<b>\$680</b>	<b>25%</b>	<b>\$2,672</b>

Source: Loan Sample

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

The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes, and meets the standards for satisfactory performance. To perform our analysis, we sampled 20 Commercial and 20 Consumer loans. Both samples were weighted equally when evaluating performance.

*Consumer Lending*

FNB's overall distribution of consumer loan products is reasonable. Thirteen percent of the population in the AA is below the poverty line.

FNB's distribution of consumer loan products to low-income families exceeds the standards for satisfactory performance. The percentage of the number of the bank's consumer loan products originated reflects excellent penetration among low-income families in the AA.

FNB's distribution of consumer loans to moderate-income families reflects satisfactory penetration. The percentage of the number of the bank's consumer loan products originated reasonably penetrates the percentage of moderate-income families in the AA.

FNB's willingness to provide credit to its AA is also evidenced, in part, by the number of small consumer loans originated during the evaluation period. Management reports that there is no minimum loan amount in the loan policy. During the evaluation period, the bank made 154 small consumer loans, representing 41 percent of the total number of loans made during the evaluation period, with original balances below \$2,000. The small loans total \$154 thousand.

<b>Borrower Distribution of Consumer Loans in 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	23.33	45%	18.47	25%	21.63	15%	36.57	10%

Source: loan sample; U.S. Census data.

*Agricultural-Related Commercial Lending*

FNB’s overall distribution of commercial loan products to businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance. During the evaluation period, 75 percent of the number and 83 percent of the dollar amount of loans were made to businesses that reported less than one million dollars in revenue.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.35	2.71	33.94	100%
% of Bank Loans in AA by #	75%	5%	20%	100%
% of Bank Loans in AA by \$	83.09%	4.74%	12.17%	100%

*Source: Loan sample; Dunn and Bradstreet data*

**Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the bank’s AA. Therefore, geographic distribution performance was not evaluated.

**Responses to Complaints**

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.