



## **PUBLIC DISCLOSURE**

November 15, 2016

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

The First National Bank of Floydada  
Charter Number 7045

124 South Main Street  
Floydada, TX 79235

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.**

Summarize the major factors supporting the institution's rating.

- First National Bank of Floydada (FNB) has a reasonable quarterly average net loan-to-deposit ratio of 53 percent during the evaluation period.
- FNB originated a majority of its loans by number (71 percent) and dollar volume (78 percent) to farms and individuals located within the assessment area (AA).
- FNB's loan portfolio reflects an overall reasonable penetration among farms of different sizes and an excellent penetration among individuals of various income levels within the AA.
- The geographic distribution of agricultural and consumer loans reflects an excellent dispersion given the bank's performance context, business strategy, and location.

## **SCOPE OF EXAMINATION**

We evaluated FNB under the small bank performance standards, which include five performance criteria: 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 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 number and/or dollar volume of loans. During this evaluation period, primary products consisted of agricultural and consumer loans. To assess performance, we reviewed 28 agricultural and 28 consumer loans originated between January 1, 2014 and October 31, 2016.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$101 million community bank located in Floydada, Texas approximately 50 miles northeast of Lubbock. FNB is a wholly owned subsidiary of Floyd County Bancshares, Inc., a single bank holding company. FNB is an intrastate bank with one banking office located in Floydada.

The bank provides traditional banking services including a variety of traditional loan and deposit accounts. Bank lobby and drive-through services are provided Monday through Friday. FNB also offers basic online banking services at [www.fnbfloydada.com](http://www.fnbfloydada.com).

As of September 30, 2016, net loans and leases comprised 68 percent of total assets. The bank's primary loan products include agricultural (by number and dollar volume) and consumer (by number) loans. The following table shows the composition of the loan portfolio.

<b>Outstanding Loans by Original Amount as of October 30, 2016</b>				
<i>Loan Type</i>	<i># of Loans</i>	<i>% of #</i>	<i>\$ of Loans</i>	<i>% of \$</i>
<b>Agricultural and Farmland</b>	234	<b>42%</b>	51,221	<b>85%</b>
<b>Consumer</b>	224	<b>40%</b>	1,878	3%
Commercial and Commercial Real Estate	96	17%	\$5,914	10%
Residential Real Estate (1-4 Family)	6	1%	\$1,521	2%
Total	560	100%	\$60,534	100%

Source: Bank Loan Trial Balance

The bank's business strategy is to service agricultural, consumer, commercial, and real estate customers in Floyd County. The bank received a Satisfactory rating at its May 3, 2010 CRA evaluation. FNB has no legal or financial circumstances that would impede the bank's ability to help meet community credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB has designated Floyd 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 two census tracts in the AA. One is moderate-income and one is middle-income. The 2016 HUD adjusted median family income is \$52,800. The AA has a population of 6,446. About 24 percent of households are below the poverty level. The unemployment rate for Floyd County is 5.4 percent, which approximates the state of Texas and the United States unemployment rates, both at 4.9 percent.

Competition is strong for both deposits and loans. In addition to FNB, two other financial institutions operate within the AA. The June 30, 2016 FDIC Market Share Report shows that FNB ranks first with 59 percent of all deposits.

The AA economy is based on agricultural production, particularly cotton and livestock operations. Other major employers in the AA include Floydada and Lockney Independent School Districts, Lighthouse Electric Coop, and local governments.

We contacted a local governmental office to obtain a community profile and identify opportunities for community development participation by local institutions. Economic conditions are stable. Our contact stated there is a need for additional housing in the area, but also indicated there were minimal community development opportunities for local financial institutions. The financial institutions are helpful with time and donations to community projects, as well as making small consumer and farm loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB’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 net LTD ratio for 26 quarters from June 30, 2010 through September 30, 2016 of 53.29 percent. The quarterly average net LTD ratios of four similarly situated banks located in or adjacent to the AA for the same period ranges from 41 percent to 79 percent, and averages 62.41 percent.

Loan-to-Deposit Ratios		
<i>Institution Name</i>	<i>Total Assets (000s)</i>	<i>Quarterly Average Net Loan-to-Deposit Ratio</i>
<b>First National Bank of Floydada</b>	<b>101,114</b>	<b>53.29</b>
First State Bank of Shallowater	106,206	74.77
First Bank and Trust of Memphis	61,323	79.02
First National Bank of Quitaque	49,513	55.13
Citizens National Bank of Crosbyton	45,209	40.73

Source: *Institution Reports of Condition from June 2010 to September 2016.*

### Lending in Assessment Area

A majority of FNB’s loans, 71 percent by number and 78 percent by dollar amount, were extended to borrowers who live or operate farms inside the AA. The breakdown by loan type is illustrated in the following table.

Lending in AA										
<i>Loan Type</i>	<i>Number of Loans</i>					<i>Dollars of Loans (000s)</i>				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	
Farm	20	71	8	29	28	\$5,470	79	\$1,479	21	\$6,949
Consumer	20	71	8	29	28	\$184	61	\$119	39	\$303
Totals	40	<b>71</b>	16	29	56	\$5,654	<b>78</b>	\$1,598	22	\$7,252

Source: *Sample of loans used for CRA performance analysis.*

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

FNB’s loan portfolio reflects an overall reasonable penetration among farms of different sizes and an excellent penetration among individuals of various income levels within the bank’s AA. To perform our analysis, we reviewed revenue information for 20 agricultural loans and 20 consumer loans originated in the AA during 2014, 2015, and year-to-date 2016.

The percentage of FNB farm loans originated by number and dollar volume is reasonable compared to AA farms with gross annual revenues less than or equal to \$1 million. Ninety percent of sampled loans were made to farms with less than or equal to \$1 million in gross annual revenues. Demographic information shows that 94 percent of AA farms reporting revenues less than or equal to \$1 million.

<b>Borrower Distribution of Farm Loans in AA</b>				
<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>&gt;\$1,000,000</i>	<i>Unknown</i>	<i>Total</i>
% of AA Farms	94.33	3.55	2.12	100%
% of Farm Loans in AA by #	90.00	10.00	-	100%
% of Farm Loans in AA by \$	81.39	18.61	-	100%

Source: Loan sample; 2015 Dunn and Bradstreet data

The percentage of FNB’s consumer loan originations significantly exceeds the ratio of low-income households and is slightly below the ratio of moderate-income households in the AA. FNB originated 75 percent of consumer loans by number to low-income households and 10 percent to moderate-income households, compared to the AA demographics of 29 percent and 17 percent, respectively.

<b>Borrower Distribution of Consumer Loans in AA</b>								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>% of AA Households</i>	<i>% of # of Loans</i>	<i>% of AA Households</i>	<i>% of # of Loans</i>	<i>% of AA Households</i>	<i>% of # of Loans</i>	<i>% of AA Households</i>	<i>% of # of Loans</i>
Consumer	29.25	<b>75.00</b>	16.96	<b>10.00</b>	13.97	15.00	39.82	0.00

Source: Loan sample; 2010 U.S Census data

## Geographic Distribution of Loans

FNB’s geographic distribution of loans reflects an excellent dispersion given the bank’s performance context, business strategy, and location. To perform our analysis, we reviewed location information for 20 commercial loans and 20 consumer loans originated in the Floyd County AA during 2014, 2015, and year-to-date 2016.

The percentage of FNB commercial loans by number originated in moderate-income tracts is significantly above the ratio of AA farms in moderate-income tracts, reflecting excellent dispersion. Ninety-five percent of farm loans were originated in moderate-income tracts, compared to 57 percent of AA farms located in moderate-income tracts.

Geographic Distribution of Farm Loans in Pecos County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Farms	0.00	0.00	57.45	<b>95.00</b>	42.55	5.00	0.00	00.00

Source: Loan sample; 2015 Dunn and Bradstreet Data

The percentage of FNB consumer loans by number originated in moderate-income tracts is significantly above the ratio of AA households in moderate-income tracts, reflecting excellent dispersion. Our sample found that 90 percent of consumer loans are located in moderate-income tracts, compared to 62 percent of households located in moderate-income tracts.

Geographic Distribution of Consumer Loans in Pecos County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer	0.00	0.00	61.79	<b>90.00</b>	38.21	10.00	0.00	0.00

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

## 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.