



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 05, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Floydada
Charter Number 7045**

**124 South Main Street
Floydada, TX 79235**

**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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	2
<i>DESCRIPTION OF INSTITUTION</i>	2
<i>DESCRIPTION OF FLOYD COUNTY</i>	3
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Floydada (FNB) has a satisfactory record of meeting community credit needs. We based our conclusion on FNB's lending practices. We evaluated these practices through review of samples of the bank's primary loan products. The rating is based on the following findings:

- FNB's loan to deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 45.11 percent since the last CRA examination.
- A substantial majority of the bank's loans, 83.3 percent by number and 88.5 percent by volume, are to customers who live or operate their business within the assessment area.
- FNB has excellent penetration to borrowers of various income levels, and businesses and farms of different sizes.
- An analysis of the geographic distribution of loans was not performed because there are no low- or moderate-income census tracts in the bank's assessment area.
- There were no complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a rural community bank in Floydada, Texas, which is approximately 50 miles northeast of Lubbock. FNB is an intrastate bank with one main office, with drive-up facilities. FNB is wholly owned by Floyd County Bancshares, a one-bank holding company located in Floydada, Texas. Floyd County Bancshares reported assets of \$79.3 million as of December 31, 2004.

As of December 31, 2004, FNB had total assets of \$79.1 million, with 38 percent of total assets in the loan portfolio. The bank's primary loan products include agricultural loans (by volume of loans) and consumer loans (by number of loans). The following chart details the composition of FNB's loan portfolio as of March 31, 2005.

Loan Portfolio Composition as of March 31,2005		
Loan Category	\$ (000)	%
Agricultural	10,049	42.75
Commercial & Industrial	5,576	23.72
Agricultural Real Estate	3,798	16.16
Residential Estate	2,618	11.14
Consumer	1,201	5.11
Commercial Real Estate	262	1.12
Total	23,504	100.00

Source: March 31, 2005 Report of Condition

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on November 15, 1999.

FNB’s business strategy is to provide outstanding banking services to customers in the Panhandle of West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. FNB’s Tier 1 Capital level is \$10.5 million representing 13.84 percent of adjusted average assets as of December 31, 2004. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF FLOYD COUNTY

FNB has designated Floyd County as its assessment area. Floyd County is in the High Plains region of the Panhandle, approximately 60 miles northeast of Lubbock. Floydada is the largest city in Floyd County, and is also the county seat. Smaller communities also located within the assessment area include Lockney, Petersburg, and South Plains. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Floyd County Assessment Area	
Population	
Number of Families	2,134
Number of Households	2,733
Geographies	
Number of Census Tracts	2
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	100.00
% Upper-Income Census Tracts	0
Median Family Income (MFI)	
1990 MFI for AA	32,197
2002 HUD-Adjusted MFI	42,000
Economic Indicators	
Unemployment Rate	9.1
2002 Median Housing Value	38,518
% of Households Below Poverty Level	20%

Source: 2000 Census data and HUD updated income data.

The bank’s assessment area is comprised of two contiguous census tracts. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 2000 Census data, the assessment area has a total population of 7,771. There are 3,221 housing units in the assessment area, of which 63 percent are owner-occupied, 22 percent are renter-occupied and 15 percent are vacant. Approximately 25 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 21 percent of the population, while middle- and upper-income families comprise the remaining 54 percent. The local economy is based on agricultural-related activities. The area recently experienced a record-breaking year for cotton production; however, depressed crop prices negatively impacted the agricultural economy.

The largest non-agricultural employers within the assessment area include the Floydada and Lockney Independent School Districts, Lighthouse Electric Coop, and local governments.

Competition is strong in the assessment area 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.

Two individuals in the community were interviewed 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 individuals indicated that the local economy continues to be depressed. They stated that the community has been very active in providing affordable programs for low- and moderate-income housing. The individuals also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to individuals of different income (including low-and moderate-income) levels and businesses of different sizes. We reviewed a sample of 24 consumer and 24 agricultural loans to evaluate the lending practices. These two loan products were identified as primary products based on the composition of the loan portfolio and the loans originated since the last CRA examination.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 45 percent since the prior CRA examination in November 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 50 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 12/31/04)	Average Loan-to-Deposit Ratio
Citizens National Bank, Crosbyton	30,600	41.15%
First National Bank Floydada	79,108	45.11%
Kress National Bank, Kress	26,031	42.91%
First National Bank, Quitaque	36,970	52.24%
Security Bank, Idalou	117,467	67.84%

Source: Institution Reports of Condition from March 2001 to December 2004

Lending in Assessment Area

A substantial majority of the bank's loans were made within its assessment area. In order to assess performance for these criteria, we reviewed 24 agricultural loans and 24 consumer loans originated between October 30, 2004 and March 31, 2005. Our analysis determined that 92 percent of the number of loans and 89 percent of the dollar amount of loans in the sample were extended within

the bank's assessment area. 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	20	83.3%	3,610	88.5%	4	16.7%	471	11.5%
Consumer	24	100.0%	122	100.0%	0	0.0%	0	0.0%
Total Reviewed	44	91.6%	3,732	88.8%	4	8.4%	471	11.2%

Source: Sample of loans used for CRA performance analysis.

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

FNB's loan portfolio reflects an excellent penetration among individuals and families of various income levels (including low- and moderate-income) and small farms of different sizes within the assessment area. To perform our analysis, we reviewed income information of 24 agricultural loans and 24 consumer loans in the Floyd County assessment area.

Agricultural Loans - Based on 2004 demographic data, there are 148 agricultural operations with reported revenues located within the Floyd County assessment area. Of this number, 89 percent of small farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural loan sample, 95.8 percent were to farms reporting annual revenues less than or equal to \$1 million. This level is comparable to the assessment area information and reflects a satisfactory penetration of loans to small farms. The following chart reflects the results of our review of agricultural loans originated in the assessment area.

Borrower Distribution of Loans to Small Farms in Floyd County Assessment Area				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	89.2%	5.4%	5.4%	100%
% of Bank Loans in AA by #	95.8%	4.2%	0.0%	100%
% of Bank Loans in AA by \$	92.7%	7.3%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Based on 2000 census information, 45.15 percent of households in the assessment area are low-and moderate-income. Our review determined that the bank made 75 percent of consumer loans to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the assessment area. The following chart reflects the results of our selected sample of consumer loans originated in the assessment area.

Borrower Distribution of Consumer Loans in Floyd County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.94%		19.21%		17.49%		37.36%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	75%	55.6%	0.0%	0.0%	25%	44.4%	0.0%	0.0%

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

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of FNB's loans. The banks assessment areas consist of two middle-income census tracts. There are no low- or moderate-income census tracts in the bank's assessment area. Therefore, this type of analysis would not be meaningful.

Responses to Complaints

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

Fair Lending Review

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