

18th Largest Bank in the State of Texas



J. Pat Hickman
Chairman and CEO

Welcome to Happy State Bank's website. As with all of our sites, we're always glad to have you stop in. And, just like our "real life" banks, we want to provide you with a little fun, a little friendship, and a lot of the professional courtesy we extend to everyone we meet. So settle in for a spell, and make yourself right at home.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Hickman, every bank has their own philosophy, their own style. Would you tell us about Happy State Bank? What is the concept and the overall idea of how the bank should be?

Mr. Hickman: So much of who we are is reflected in our name as the Happy State Bank and Trust Company. Our company was founded one hundred and five years ago in Happy, Texas. When we bought the bank, it was actually known as The First State Bank of Happy. We changed the name, back in 2002. It was really pretty unbelievable how the name change impacted our company. It certainly impacted our employees. It kind of goes with that saying, if you work at a happy bank you have to be "happy". However, we even saw a change in our customers. It just naturally brings a smile in. We really thought that we performed extremely well in our customer service arena, pre-name change. However, I am going to tell you, post name change, we really did see a difference. Our customers recognize us for our service. I think that many places say that. However, we thought we were doing great and it got better!

CEOCFO: Would you give us a concrete example of service over and above?

Mr. Hickman: One time we were buying another bank and we sent notices out to the folks at the bank that was being acquired letting them know that their checks would no longer work upon a certain date and they would also need a new debit card. Right in the middle of the conversion, we received a phone call from a trucker who was a customer of ours. He was a trucker who had been out of town, had not received the notice that his checks were not going to work and all of a sudden his debit card could not work and he could not get any gasoline. He was probably about two hundred and fifty miles away. My clerk that answered the phone said, "How much gas do you have." The trucker said, "I think I can make it about a hundred miles." Then the clerk said, "That would be right about Childress. I am going to get in my car right now and meet you at the 'so and so' truck stop in Childress. I will have a new debit card for you and if I have your okay, I will get five hundred dollars in cash out of your checking account." Then she got in the car and drove to him!

CEOCFO: Excellent! That is a great example!

Mr. Hickman: Yes! Another time, a young mother called. She was in line at Wal-Mart. You could hear babies crying. She was at the checkout and her debit card, for some reason or another, would not work. She called the bank in a panic. Can you imagine, a mom with a couple of young babies, all the time that she took to shop and now they are saying, "Sorry, you cannot get this." Our employee, again, looked it up. Obviously, there was a problem with the debit card. She got in her car and drove across town to the Wal-Mart and brought the woman the cash that she needed to pay for her groceries. Those are just a couple!

CEOCFO: No wonder your customers are happy! Does the history of the bank count these days, the way it once might have or is it really what you are doing day to day for people that matters more?

Mr. Hickman: I think that people have become somewhat numb to all of the bank name changes. However, you still have that core of people that do recognize that service counts and service matters. We, in particular, have found a huge niche with those people who own their own businesses and own their own service businesses. They provide quality service to their customers in their business and therefore they come to expect excellent service from their vendors and providers. Therefore yes, it does matter. The history piece maybe not so much. In banking, people do still like to know that their bank is stable, strong and all of those things, so it may matter in banking, a little more than other businesses.

CEOCFO: How do you break down between personal and commercial? Would you like to see a change in the mix?

Mr. Hickman: We are headquartered in the panhandle of Texas, and it is our primary market area. We are also on the South Plains of Texas, in Lubbock, we are in Abilene and we even have an office down in Dallas. We have only been in Dallas a year. However, here in the panhandle area, which is very sparsely populated, we are a little bit of everything to everyone. We are probably fifty / fifty commercial and consumer. We like the balance of both! In Dallas, we are almost entirely commercial and in that market, that fits us well there.

CEOCFO: You mentioned that it is about a year that you are in Dallas. Why was that the time to hit the big city?

Mr. Hickman: As you are looking to raise more capital and talking to more and more diverse groups; seeking additional ownership in your company, many people have heard of Amarillo. Lubbock or Abilene in maybe a country western song. However, they really do not know where those cities are. With Dallas, no explanation is needed. Just the fact that you have a presence in Dallas is huge for us.

CEOCFO: You mentioned earlier about taking over another branch. Is that your typical way? Do you do de novo as well? What has been the strategy? What will continue?

Mr. Hickman: My favorite statistic of our company is that I led a group that bought this bank twenty-four years ago. When we bought the bank there were eight hundred and eighty (880) banks and we were number eight hundred and twelve (812). We were a ten million dollar bank with six employees. There were only sixty-eight or so banks in Texas that were smaller than us. Today, there are about six hundred and fifty banks (650) in Texas and we rank nineteenth in asset size. Therefore, we passed a bunch of banks along the way. I love to tell my banker friends in Dallas and Austin, down on the I-35 corridor, that we have grown in a part of the state where cows outnumber people about three hundred to one! We have 32 offices in 22 communities. Over the last five years about fifty five percent of our growth has been organic. New accounts coming in the door are doing new business with us and about 45% of our growth has been through acquisition.

“We do believe that it is our unique culture that sets us apart. It is something that we literally talk about every day in virtually every meeting.” - J. Pat Hickman

CEOCFO: Are there services that you would like to add to the mix that you are not providing now?

Mr. Hickman: I think with the future of banking, we have to be looking for additional income sources. I wish we had an insurance agency. We have looked into the factoring business. We have looked at leasing. There are several other product lines that we would like to find. However, I am a banker. I am not an insurance guy. The only way that we will get into those businesses is if we find someone that already knows how to lead in that business, to come in with the expertise to do so.

CEOCFO: What has been the key to your success over the years? What do you understand about banking that perhaps others do not?

Mr. Hickman: I would say the keys to our success are two-fold. The first one is that we have a phenomenal group of employees who trust our management team. My turnover, especially among my officer rank, is virtually nil. I have several employees that have been here twenty years and more. There is a very strong family atmosphere here. Again, I think that many people claim to have that atmosphere. We really, really do mean it. If I find out that an employee missed a ball game or a piano recital because he or she is working, that is a reason to be fired, because your priorities obviously stink. Our employees know we are going to be there for them when they have family issues and therefore they bust their tail taking care of our customers. I told you it was two-fold. The first is because of our employee base and second, and I do not say this tritely at all, but Jesus loves me. We have been a faith-based institution from day one. We have a Bible study here. We encourage prayer. We know that the Good Lord had been running this company for 24 years. That is the truth!

CEOCFO: Would you tell us about giving back for the bank? Are there certain areas that you are more involved with than others?

Mr. Hickman: I think that a community bank plays such an integral role in their markets. I know that it is extremely rare for us to turn down a charity for help. I think that at last count, we have paid for something like 75 score boards, from little league parks to basketball gyms. We have supported communities in things like that. We are obviously, very involved in the United Way. We give to all kinds of things. Going back to what I was saying earlier, we have particularly supported many faith-based organizations. There is the Salvation Army. There is an organization here called Faith City Mission. There is another organization called Sharing Hope. All of those organizations help the downtrodden, help those that are not as blessed as perhaps we are. We have been very involved with them and also the arts. I could go on and on and on. I think that is just what community banks do. We are very involved all the way across the board.

CEOCFO: *How do you keep the culture, keep that family feeling, as you continue to have more and more branches and as they continue to be further apart geographically? Do you worry about that? Is it an area of focus for Happy Bank?*

Mr. Hickman: It is first and foremost on my mind, every day. We truly believe it is our culture that sets us apart. When we update our strategic plan, probably, every two to three years, we are the only company I know that our first and foremost point in our strategic plan, that our board of directors discusses at length, is the maintaining of our culture. We do believe that it is our unique culture that sets us apart. It is something that we literally talk about every day in virtually every meeting. We ask the question, "How will this product, how will this service, how will it enhance this "Happy Experience", as we call it, on a day to day basis?" It is constantly at the forefront. I really do believe that as we have grown bigger, our culture has improved.

CEOCFO: *Is that because you are paying more attention to it?*

Mr. Hickman: It is a constant. What it actually does is to help you attract like-minded people. We probably fire more people than we have quit. We ask you to "drink the Kool-Aid". It is an attitude thing. Your readers will enjoy this, I know. We tell our folks that we expect them to come to work happy every day, but we also know that things happen to you. We actually allow our employees to have one "crappy day" per year. If you wake up and the dog is throwing up, the cat has messed up the carpet, the tire is flat and you can just tell it is going to be one of 'those' days, we will give you the day off with pay. We would rather you stay at home with a bad attitude than come to work and spread it around. If we see one of our employees having a bad day, we will actually walk up to them and say, "Have you taken your crappy day? Maybe this would be a good day for you to go home." For example, just in my own life, my kids never had to mow the lawn; my kids got to mow the lawn.

CEOCFO: *It sounds very idyllic!*

Mr. Hickman: I think our numeric results show that it works.

CEOCFO: *How do you continue to grow and profit? How did you weather the banking crisis or was it not even a crisis for you, because you were doing the right thing from the beginning?*

Mr. Hickman: We had a little bit, but Texans have been awfully fortunate through this economic downturn. We did not have near the issues that other parts of the country had. For example, here in our primary markets, we never saw a downturn in real estate values. We may have gone a couple of years where real estate values did not appreciate, but we did not see it downturn. Properties never dropped in value. Therefore, being in the right place helps a whole lot. However, I do think that just by the conservative nature of our company, we put a great deal of emphasis on the quantity of our loans. Where we have had some hiccups in 2010. We were able to weather those storms and last year was the best year we have ever had from an earnings point of view.

CEOCFO: *Why should people pay attention to Happy State Bank?*

Mr. Hickman: We strive for excellence in everything that we do, from dealing with our coworkers, taking care of our customers and even dealing with our regulators. We strive to do all things well and proper – with excellence - and do the right thing. That is a heavy task. We expect excellence and I think that in so doing, that rubs off on everything that we do. We have a phenomenal rapport with our customers and our employees.

BIO: In 1989, J. Pat Hickman was a bank branch manager in his hometown of Canyon, Texas, working for a large regional bank -- when he heard that the bank in Happy, Texas – population, 644 people - was for sale. Hickman found ten families who were willing to invest \$100,000 each, and together they bought the bank. At purchase, the bank had \$10 Million in deposits, with 6 employees and was the 812th largest bank in Texas.

Today, Happy State Bank is the 18th largest bank in the State of Texas, with total assets of \$2.4 Billion, 560 employees and 32 full-service locations in twenty-one different communities. The bank also owns the corporate trust company, GoldStar Trust Company doing business in all 50 states.

Happy State Bank has earned the Better Business Bureau's Torch Award for business ethics. *Texas Monthly* magazine has named Happy State Bank as one of the "Top 100 Best Places to Work in Texas" four times in the past six years.

He attended Texas Tech University and West Texas A&M University. Hickman has served as a board member and chair of several community and banking organizations. Locally, he served as Co-Chair of the Amarillo-Canyon United Way. He was Chairman of the Independent Bankers Association of Texas in 2003-04 and honored with the "IBAT Chairman's Award" in 2010. He is a member of the Canyon High School Hall of Fame and was honored as the "Citizen of the Year" in Canyon in 2006.

If you ask him about his greatest joys, he'll point to his "bride" of 37 years, Nancy; his five grandchildren and four children (in that order); and knowing his personal Savior, Jesus Christ.



**HAPPY
STATE BANK**

AND TRUST COMPANY

Member FDIC

Happy State Bank

100 E. Main

Mailing: P.O. Box 68

Happy, TX 79042

806-558-2265

www.happybank.com