



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 13, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Giddings
Charter Number 4410

108 East Austin
Giddings, Texas 78942-0269

OFFICE OF THE COMPTROLLER OF THE CURRENCY

SAN ANTONIO – NORTH FIELD OFFICE
10001 Reunion Place, Suite 250
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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 the 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 Giddings' (FNB) lending performance reflects satisfactory response to community credit and community development (CD) needs. This conclusion is based on the following results from our review:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of loans inside its AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

FNB was evaluated under the Small Bank examination procedures, which include a lending test and a voluntary CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. FNB opted to not perform the CD test.

The lending test for FNB covers its performance from March 21, 2005, through April 13, 2009, as this is representative of its lending strategy since the last CRA examination.

FNB's primary loan products are residential and commercial loans. The bank does not report data under the Home Mortgage Disclosure Act (HMDA). Therefore, we selected a sample of residential real estate loans to evaluate the bank's home loan performance. To evaluate FNB's commercial lending performance, we selected a sample of commercial loans.

DESCRIPTION OF INSTITUTION

FNB is a rural community bank located in Giddings, Texas, which is approximately 50 miles east of Austin and 100 miles west of Houston. The bank operates one main office, a new stand-alone drive-through facility with a small lobby with tellers, and one automatic teller machine (ATM). FNB is 100% owned by Giddings Holdings, Inc., a one-bank Delaware-based holding company, which is 100% owned by Giddings Bancshares, Inc., located in Giddings.

As of December 31, 2008, FNB had total assets of \$138.9 million with 44% centered in the loan portfolio. The bank's primary loan products include residential and commercial loans. The chart on the following page details a breakdown of FNB's loan portfolio as of December 31, 2008.

LOAN PORTFOLIO SUMMARY BY LOAN PRODUCT AS OF DECEMBER 31, 2008		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
Commercial	\$30,824	49%
Residential	\$13,464	21%
Agriculture/Farm	\$9,879	16%
Other Loans	\$5,765	9%
Consumer	\$3,068	5%
Total	46,986	100%

Source: December 31, 2008, Consolidated Report of Condition

Bank lobby and drive-through services are provided Monday through Friday, with drive-through services also provided on Saturday. FNB has a 24-hour telephone response system that allows customers to obtain account balance information and transfer funds between accounts. Internet banking services are also available at www.FNBGiddings.com. FNB is the only bank domiciled in the town of Giddings. Competition is provided by five other banks having branches in Giddings. The bank was rated “Satisfactory” at the last CRA examination that commenced on March 21, 2005. No legal impediments or other factors hinder FNB’s ability to provide credit in its AA. There have been no significant changes in the bank’s corporate structure or business strategy.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Lee County as its AA. Principal communities located in the AA include Giddings, Dime Box, and Lexington. Specific demographic data for this area is listed below.

DEMOGRAPHIC INFORMATION FOR GIDDINGS AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0%	0%	50%	50%
Population by Geography	15,657	0%	0%	50%	50%
Owner-Occupied Housing Units by Geography	4,498	0%	0%	50%	50%
Businesses by Geography	1,565	0%	0%	50%	50%
Farms by Geography	70	0%	0%	50%	50%
Family Distribution by Income Level	4,190	14.84%	16.78%	21%	47.37%
Household Distribution by Income Level	5,674	19.16%	14.31%	17.62%	48.91%
Census Median Family Income (MFI)		\$42,774	Median Housing Value		\$71,428
HUD – Adjusted MFI: 2008		\$43,600	Households Below the Poverty Level		13.59%
HUD – Adjusted MFI: 2007		\$41,800	Unemployment Rate		1.23%
HUD – Adjusted MFI: 2006		\$43,100			

Source: 2008 Business Geodemographic Data; 2000 U.S. Census Data

The AA is made up of contiguous census tracts (CTs), which surround and include the one-bank office located in Giddings. This area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income (LMI) geographies. A further description of the AA is presented below.

Based on an estimate of the 2008 Census data, Lee County has a population of 16,400. The four census tracts are divided evenly into middle- and upper-income areas. There are no LMI areas in Lee County. There are 6,500 housing units in the AA. The main influence on the town remains oil and gas production and agriculture. There has been limited population since the last CRA exam. Major employers are Giddings State School, the local school district, Color Star (wholesale plant nursery), and city/county government offices.

In conducting the assessment of the bank’s performance, we contacted the Giddings area Chamber of Commerce. This contact indicated that banks in the Giddings area do a good job of meeting the credit needs of the community. The contact went on to say that the banks are the heart of the community. This is evidenced by FNB’s strong presence in the community. For example, FNB played an influential part in contacting a government official to ensure that enhancements, such as handicap access, were made to the Giddings Post Office to make it more easily accessible to all members of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

FNB’s performance under the lending test is satisfactory considering the performance context and needs of its AA. Borrower distribution was given more weight than geographical distribution since the bank has no LMI census tracts in the AA.

Loan-to-Deposit Ratio

The bank’s LTD ratio is reasonable given its size, financial condition, and AA credit needs. FNB’s net LTD ratio averaged 65% over the last 16 quarters since the last CRA examination, with a quarterly low of 51.26% and a quarterly high of 79.8%. The bank’s net LTD ratio compares favorably with other community banks of similar size, location, and product offerings. FNB ranks first among four similarly situated banks in the area. The other four banks had an LTD ratio averaging 48%. Refer to table below.

INSTITUTION	ASSETS AS OF 12/31/08 (000S)	AVERAGE QUARTERLY LTD RATIO AS OF 12/31/08
First National Bank of Giddings	\$91,345	65%
First National Bank of Bastrop	\$297,010	64%
Carmine State Bank	\$43,075	42%
Fayetteville Bank	\$138,031	51%
Citizen’s National Bank	\$265,153	35%

Source: Call Report data.

Lending in Assessment Area

A majority of the primary loan products originated by FNB are to consumers within its AA according to the number of loans we sampled. The dollar amount of loans in the AA appears to be low; however, consideration was given to the fact that our commercial sample included \$2.4 million in out-of-territory loan participations. The table below details FNB’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

LENDING IN GIDDINGS ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	9	45	11	55	20	986,764	21.94	3,509,886	78.06	4,496,650
Residential	14	70	6	30	20	955,723	54.5	798,000	45.5	1,753,723
Total	23	57.50	17	42.50	40	1,942,487	31.08	4,307,886	68.92	6,250,373

Source: Loan sample

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes. More weight was given to business loans since this is FNB’s primary loan product.

Residential Loans

Overall, the distribution of residential loans to borrowers reflects a low-end satisfactory penetration among borrowers of different income levels.

Our loan sample shows that residential lending reflects a percentage lower than those reported in the demographic data for moderate-income borrowers and a high percentage to upper-income borrowers. FNB made 5% of residential loans to moderate-income borrowers and 80% of residential loans to upper-income borrowers during the evaluation period. Households below the poverty level represent 14% of the total households in the AA. The level of income for moderate-income families based on the 2008 HUD-adjusted family income is between \$21,387 and \$34,219. This level of income could inhibit potential borrowers from qualifying for residential loans, since the 2008 median housing value is \$79,394. Residential lending to low-income borrowers is reasonable as compared to the demographic data for low-income families. FNB made 10% of residential loans to low-income borrowers during the evaluation period. The demographic data indicates that 15% of families in the AA are low-income.

The table on the following page shows the distribution of home loan products among borrowers of different income levels as compared to the percentage of families in each income category.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN GIDDINGS AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential	15%	10%	17%	5%	21%	5%	47%	80%

Source: Loan sample; 2008 Business Geodemographic Data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Of the bank’s loans to businesses originated and purchased during the loan sampling period, 65% were made to small businesses. Small businesses are those with gross annual revenues of \$1 million or less. This is considered reasonable when compared to demographic data that shows 48% of the area’s businesses are small. The following table shows the distribution of agricultural/farm loans among different-sized businesses in the AA.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN GIDDINGS AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses	48	3
% of Bank Loans in AA by #	65	35
% of Bank Loans in AA by \$	64.35	35.65

Source: Loan sample; 2008 Business Geodemographic Data

*49% of businesses in Lee County did not report revenue information

Geographic Distribution of Loans

Since the bank has no LMI census tracts, a meaningful geographic distribution analysis to determine penetration into the LMI areas could not be performed.

Responses to Complaints

FNB has not received any CRA complaints 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 FNB’s helping to meet community credit needs.