



## **PUBLIC DISCLOSURE**

June 10, 2013

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

First National Bank of Giddings  
Charter Number 4410

108 E. Austin  
Giddings, TX 78942

Office of the Comptroller of the Currency

10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4165

**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 an overall satisfactory level in meeting the community's credit needs within its assessment area (AA). This rating is based upon findings noted through an analysis of the lending test performance factors relative to the "Small Bank" evaluation criteria. The following highlights the bank's performance:

- FNB's loan-to-deposit (LTD) ratio of 53% is reasonable given the bank's size, financial condition, and AA credit needs.
- FNB's lending within the AA demonstrates a satisfactory level of performance, as a majority of the bank's loans originated within its AA.
- FNB's level of lending to borrowers of different incomes and to businesses of different sizes within Lee County reflects excellent penetration.
- There were no complaints concerning FNB's Community Reinvestment Act (CRA) performance during the evaluation period.

**SCOPE OF EXAMINATION**

We evaluated FNB under the Small Bank CRA examination procedures. Our review focused on the bank's two primary product lines: commercial/small business loans and consumer loans. Commercial/small business loans represent FNB's primary loan product based on total dollar volume of loans originated, while consumer loans represent the primary loan product based on the number of loans originated. In evaluating the bank's LTD ratio, we compared FNB to three similarly situated banks using historical balance sheet information. To determine the lending performance inside and outside the AA, we randomly sampled 20 loans, for each primary product line, that originated during the prior two calendar years and the first quarter of the current year. To determine FNB's performance in lending to borrowers of differing incomes, sizes, and geographies, we expanded the initial sample to obtain a minimum of 20 loans originated within each AA for each primary loan product.

As of the 2010 Census, the U.S. Census Bureau revised its approach to collecting most of the population and demographic data used in the CRA performance evaluation process. Data collection requirements and CRA Performance Evaluations (PEs) were impacted by the 2010 Census data changes beginning January 1, 2012. The data changes required a separate analysis for each year of CRA activity evaluated between 2011 through 2013. Therefore, for this CRA examination, we analyzed and evaluated loan data against the applicable demographic for the years subject to our review. Since we tested the two prior years and the first quarter of the

current year, these data changes required the use of two sets of tables; a table reflecting 2000 Census data demographics for the loans originated in 2011 and a table reflecting 2010 Census data demographics for loans originated in 2012 and the first quarter of 2013. Please see Table 1 below for specific information on the expanded sample.

<b>Table 1</b>		
<b>SAMPLING INFORMATION</b>		
<b>Loan Type</b>	<b>2011</b>	<b>2012 and 2013</b>
Consumer	23	22
Commercial	27	33
<b>Total Sample</b>	<b>50</b>	<b>55</b>

**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 branch and one motor bank or stand-alone drive-through facility, with an automatic teller machine (ATM) located on the premises of each. Both the main branch and motor bank are located in Giddings. FNB is 100% owned by Giddings Holdings, Inc., a one-bank Delaware-based holding company, which is 100% owned by Giddings Bancshares, Inc., which is located in Giddings.

As of March 31, 2013, FNB had total assets of \$169 million with 46% centered in the loan portfolio. The bank’s primary loan product by dollar volume is commercial/small business loans. The bank’s primary loan product by the number of loans originated is consumer loans. Please see Table 2 for a breakdown of FNB’s loan portfolio as of March 31, 2013.

<b>TABLE 2</b>				
<b>LOAN PORTFOLIO SUMMARY BY LOAN PRODUCT</b>				
<b>MARCH 31, 2013</b>				
<b>Loan Category</b>	<b>Dollar Volume \$(000)</b>	<b>% of Outstanding Dollars</b>	<b>Number of Loans Originated</b>	<b>% of the Total Loan Portfolio</b>
Commercial	\$38,051	48.5%	272	23.7%
Residential	\$22,426	28.6%	179	15.6%
Agricultural	\$10,742	13.9%	144	12.5%
Consumer	\$4,739	6.0%	513	44.7%
Other	\$2,574	3.2%	41	3.6%
<b>Total</b>	<b>78,532</b>	<b>100%</b>	<b>1,149</b>	<b>100%</b>

*Source: March 31, 2013, Consolidated Report of Condition, Loan Trial Balance*

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](http://www.FNBGiddings.com). While FNB is the only bank headquartered in the town of Giddings, competition is provided by five other banks with branches in Giddings. The bank was rated “Satisfactory” at the last CRA examination that began April 13, 2009. 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(S)**

FNB has designated all of Lee County as its AA. In addition to Giddings, communities located in the AA include Lexington, Lincoln, and Dime Box. Please see Table 3 for specific demographic data of this area for loans originated in 2011 and Table 4 for specific demographic data of this area for loans originated in 2012 and 2013.

<b>Table 3</b> <b>DEMOGRAPHIC AND ECONOMIC</b> <b>CHARACTERISTICS OF LEE COUNTY ASSESSMENT AREA</b> <b>2000 CENSUS</b>	
<b>Population</b>	
Number of Persons	15,657
Number of Families	4,190
Number of Households	5,674
<b>Geographies</b>	
Number of Census Tracts	4
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	50
% Upper-Income Census Tracts	50
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$42,774
2011 HUD-Adjusted MFI	\$48,600
<b>Economic Indicators</b>	
Unemployment Rate	1.63
2011 Median Housing Value	\$71,428
% of Owner-occupied Properties	65.65
% of Households Below Poverty Level	13.59

Source: 2000 US Census Data

<b>Table 4</b>	
<b>DEMOGRAPHIC AND ECONOMIC</b>	
<b>CHARACTERISTICS OF LEE COUNTY ASSESSMENT AREA</b>	
<b>2010 CENSUS</b>	
<b>Population</b>	
Number of Persons	16,612
Number of Families	4,225
Number of Households	6,022
<b>Geographies</b>	
Number of Census Tracts	4
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	25
% Upper-Income Census Tracts	75
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$61,290
2012 HUD-Adjusted MFI	\$49,300
<b>Economic Indicators</b>	
Unemployment Rate	35.90
2012 Median Housing Value	\$114,301
% of Owner-occupied Properties	62.28
% of Households Below Poverty Level	11.34

Source: 2010 US Census Data

The AA, comprised of all of Lee County, is made up of four contiguous census tracts (CTs), which surround and include the one-bank office located in Giddings. This AA does not arbitrarily exclude any low- or moderate-income (LMI) geographies and meets the requirements of the regulation.

Based on the most recent 2010 Census data, Lee County has a population of 16,612, which is almost unchanged since the last CRA exam. There are no LMI CTs in Lee County. As of the 2010 Census, three of the four CTs are upper income areas and the remaining CT is middle income. The primary industries providing employment in the AA include oil and gas production, mining, construction, and agriculture. Major employers are the Giddings State School, the local school district, and city/county government offices.

To further assess the bank’s performance, we contacted a representative of the Giddings Chamber of Commerce. This contact indicated that while banks in the Giddings area meet the local credit needs, FNB is the lead bank in the community, actively supporting non-profit organizations and local, small businesses. In addition, FNB encourages employee involvement in the community, providing time and resources for them to do so.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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 CTs in the AA.

**Loan-to-Deposit Ratio**

The bank’s LTD ratio is reasonable given its size, financial condition, and AA credit needs. The LTD ratio averaged 53% over the last 17 quarters since the last CRA examination, and remained relatively stable with a quarterly low of 50.78% and a quarterly high of 57.41%. FNB’s LTD ratio compares favorably with other community banks in the Lee County AA, ranking second among these similarly situated institutions, considering that FNB holds the largest deposit market share in the AA. Please see table 5 below.

<b>Table 5 LOAN TO DEPOSIT RATIO</b>			
<b>INSTITUTION</b>	<b>ASSETS AS OF 3/31/2013 (000s)</b>	<b>AVERAGE QUARTERLY LTD RATIO AS OF 3/31/2013</b>	<b>DEPOSIT MARKET SHARE WITHIN LEE COUNTY AA</b>
First National Bank of Giddings	\$169,153	52.82%	33.80%
Classic Bank, Cameron	\$254,039	69.58%	29.60%
Citizens Cameron	\$134,733	38.26%	13.11%
Round Top State Bank	\$192,046	46.15%	9.54%

Source: Call Report data

**Lending in Assessment Area**

FNB originates a majority of loans within its AA, making 82% of the number and 81% of the dollar amount of the loans sampled to borrowers located within the AA. The following Table 6 shows FNB’s record of lending in its AA

<b>Table 6 LENDING IN LEE COUNTY ASSESSMENT AREA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Consumer	43	96	2	4	45	456	97	12	3	468
Commercial	43	72	17	28	60	6,993	81	1,691	19	8,684
<b>Totals</b>	<b>86</b>	<b>82%</b>	<b>19</b>	<b>18%</b>	<b>105</b>	<b>7,449</b>	<b>81%</b>	<b>1,703</b>	<b>19%</b>	<b>9,152</b>

Source: Loan sample

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

FNB’s level of lending to borrowers of different incomes and to businesses of different sizes within Lee County exceeds the standards for satisfactory performance and therefore, reflects excellent penetration.

**Consumer Loans**

FNB’s level of performance in lending to consumers of differing income levels within Lee County exceeds the standards for satisfactory performance. Demographic information on the 2000 U.S. Census Data indicates that 19% of AA households are low-income, while 14% are moderate-income. Based upon our sample - in 2011, the bank originated 41% of its consumer loans to low-income borrowers and 23% to moderate-income borrowers. According to the 2010 U.S. Census, approximately 18% of AA households are low-income, while 16% are moderate-income. In 2012 and during the first quarter of 2013, the bank originated 33% of its consumer loans to low-income borrowers and 29% to moderate-income borrowers. See Tables 7 and 8 below for further details.

Table 7 BORROWER DISTRIBUTION OF CONSUMER LOANS IN LEE COUNTY ASSESSMENT AREA ORIGINATED IN 2011								
Borrower 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 Loans	19.16	40.91	14.31	22.73	17.62	18.18	48.91	18.18

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

Table 8 BORROWER DISTRIBUTION OF CONSUMER LOANS IN LEE COUNTY ASSESSMENT AREA ORIGINATED IN 2012 AND 2013								
Borrower 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 Loans	17.64	33.33	15.58	28.57	18.10	14.29	48.69	23.81

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

**Business Loans**

FNB’s distribution of loans to small businesses (annual gross revenues of less than \$1 million) is in line with AA demographics. We considered the results of the sample with comparison to both 2000 and 2010 Census data in arriving at this conclusion. According to 2000 U.S. Census information, 70% of businesses in the AA have revenues of less than \$1 million. In 2011, 80%

of the business loans FNB originated in its AA had revenues below \$1 million. As a dollar amount, the percentage of loans is lower at 51%; however, this is reasonable as larger businesses inherently qualify for and require larger loan amounts. According to 2010 U.S. Census information, 74% of businesses in the AA have revenues of less than \$1 million. In 2011, 78% of business loans FNB originated in its AA had revenues below \$1 million. As a dollar amount, the percentage of loans also meets the standard at 84%. Please see Table 9 and Table 10 for the distribution of business loans among different-sized businesses in the AA.

<b>Table 9</b> <b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN LEE COUNTY ASSESSMENT AREA</b> <b>2000 CENSUS DATA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.22%	2.16%	27.62%	100%
% of Bank Loans in AA by #	80%	20%	-	100%
% of Bank Loans in AA by \$	51.47%	48.53%	-	100%

Source: Loan sample; Dunn and Bradstreet data.

<b>Table 10</b> <b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN LEE COUNTY ASSESSMENT AREA</b> <b>2010 CENSUS DATA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.92%	3.24%	22.84%	100%
% of Bank Loans in AA by #	78.26%	21.74%	-	100%
% of Bank Loans in AA by \$	84.25%	15.75%	-	100%

Source: Loan sample; Dunn and Bradstreet data.

### **Geographic Distribution of Loans**

Since there are no LMI CTs in the bank’s AA, 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 efforts to meet community credit needs.