



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 20, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Giddings
Charter Number 4410**

**108 East Austin
Giddings, TX 78942**

**Comptroller of the Currency
Austin Field Office
8310 Capital of Texas Highway North, Suite 250
Austin, TX 78731**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First National Bank of Giddings (FNB), Giddings, Texas, as prepared by *The Office of the Comptroller of the Currency*, (OCC) the institution's supervisory agency, as of February 20, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated **“Satisfactory.”**

- ♀ FNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).
- ♀ The bank's loan-to-deposit (LTD) ratio is satisfactory and has averaged 33% for this evaluation period versus 18% during our previous examination. During this period, the growth in the bank's LTD ratio exceeded the loan growth of competing institutions and is currently 53% as of December 31, 2000.
- ♀ The majority of FNB's loans are within its AA.
- ♀ FNB has demonstrated a satisfactory willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- ♀ The geographic distribution of the bank's loans within its AA is reasonable.
- ♀ There have been no complaints with respect to FNB's CRA performance.

The following pages further describe FNB's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a 76 million (MM) institution headquartered in Giddings, Texas, which is approximately 60 miles east of Austin, Texas. A drive-through facility and an automated teller machine (ATM) are provided at the one office. FNB is 100% owned by Giddings Holdings, Inc., a one-bank Delaware-based holding company, which is 100% owned by Giddings Bancshares, Inc. (GBI) located in Giddings. Total assets of GBI as of January 31, 2001 was 8,693 thousand (M).

The institution's principal focus is to promote economic development in its AA through its lending programs. FNB's primary lending products include agriculture, small business, residential and commercial real estate, and consumer loans. Total loans as of December 31, 2000, amounted to 34MM, which comprise 44% of total assets. The following reflects a detailed breakdown of FNB's loan portfolio as of December 31, 2000.

Loan Type	Dollar Amount (000's)	% of Total Loans
Real Estate (RE) Construction	3,907	11.5
RE Farmland	2,513	7.4
RE Residential (1-4)	4,969	14.6
RE Multifamily Residential	1,148	3.5
RE Nonfarm Nonresidential	9,176	27.0
Agricultural Production	1,909	5.6
Commercial and Industrial	5,711	16.8
Consumer	2,442	7.2
Other	2,202	6.4
Total	33,977	100.0

Bank lobby services are provided Monday through Friday while drive-through services are provided Monday through Saturday. FNB faces strong competition from branches of community banks located in Lee County, and a branch of a regional bank in the City of Giddings. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. FNB has a 24-hour telephone audio response system, which allows customers to obtain account balance information and transfer funds between accounts. At the last CRA examination on September 13, 1999, the bank's CRA rating was "Needs to Improve." No legal impediments or other factors hinder the bank's ability to provide credit in its AA.

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 AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	3,447
Number of Households	4,653
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	25
% Middle-Income Census Tracts/BNA	50
% Upper-Income Census Tracts/BNA	25
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	27,278
1999 HUD-Adjusted MFI	33,900
2000 HUD-Adjusted MFI	34,700
<i>Economic Indicators</i>	
Unemployment Rate	2.65%
2000 Median Housing Value	46,541
% of Households Below Poverty Level	20.01

BNA = block numbering area

HUD = Department of Housing and Urban Development

This area is made up of contiguous BNAs, which surround and include the one bank office located in the City of Giddings. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. A further description of the AA is presented below.

Based on 1990 Census data, Lee County has a population of 13M. There are 6M housing units in the AA of which 63% are owner-occupied, 18% renter-occupied, and 19% vacant. Approximately 20% of the families in the AA are considered low-income. Moderate-income families approximate 15% of the population, while middle- and upper-income families comprise the remaining 65%. The local economy is considered very good. Oil and gas production and agriculture have traditionally been a significant influence in the local economy. More recently, the area's proximity to Austin, Texas, and being on the major thoroughfare between Austin and Houston, has increased light industry and related housing demands. Major employers located in and/or adjacent to the AA include the Giddings Independent School District, Bluebonnet Electric Coop, Nutrena Feed Mill, the Giddings State School, local government, retail, and service-related organizations.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted two community leaders during this examination. One contact is a representative of local county government. The second contact is a small business owner located in Giddings. Both contacts mentioned that affordable housing for low-income families is a need in the City of Giddings. Both contacts further stated that FNB is active in the community and responsive to the credit needs in Lee County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is now performing satisfactorily and has been successful in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FNB's LTD ratio has improved and is now satisfactory, given its asset size, financial condition, and lending opportunities in the AA. Since the last CRA examination, the LTD ratio has increased significantly from 22% at June 30, 1999, to 51% at December 31, 2000. The average LTD ratio over the past six quarters was 33%, which is much improved from an average 18% during the previous examination. Increased efforts to meet credit needs in Lee County, coupled with management's desire to improve the bank's earning asset mix through the purchase and/or origination of loans outside Lee County, contributed to the much-improved LTD ratio. At December 31, 2000, the LTD ratio is now more comparable with the LTD ratio of four similarly situated banks located adjacent to Lee County with which FNB directly competes.

There are no other community banks headquartered in Lee County other than FNB. Excluding out-of-area participation loans from the loan totals, FNB's LTD ratio increased satisfactorily from 18% at June 30, 1999, to 29% at December 31, 2000. During this same period, loan growth relative to the four competing banks overall was not as significant. Finally, information provided by management concerning deed of trust filings in Lee County during 2000, indicate that FNB was the largest real estate lender of the local area banks in this county.

The asset size and LTD ratio for FNB and the four competing banks during this period are listed below.

Institution	Assets as of 12/31/2000 (000's)	Average LTD Ratio
Elgin Bank of Texas	74,363	54.50%
Carmine State Bank	28,196	47.10%
Community Bank of Central TX	37,693	73.88%
The First National Bank of Bastrop	191,545	65.75%
<i>First National Bank of Giddings</i>	<i>76,437</i>	<i>33.36%</i>

FNB is a primary holder of public funds in Giddings, Texas. Due to pledging requirements, the bank is required to maintain a higher percentage of short-term investments in order to secure these deposits. As of December 31, 2000, public deposits totaled 7,540M or 12% of total deposits.

Lending in the Assessment Area

The majority of the loans originated are within FNB's AA. To assess these criteria, we used internal reports provided by management on all mortgage- and agricultural-related loans made since the last CRA review and a sample of 29 consumer and 30 commercial loans made during this same period. Our analysis determined that 68% and 79% of the number and 54% and 87% of the dollar amount of mortgage and consumer loans, respectively, were made within the AA. We further determined that 76% of the number and 83% of the dollar amount of agricultural-related loans were made within the AA. Finally, we determined that 73% of the number but only 29% of the dollar amount of commercial-related loans were within the AA. The dollar amount of commercial loans originated within the AA is low due to the fact that our loan analysis included participation loans purchased outside of Lee County, on which the average loan amount was significantly higher than the average loans applied for and originated in the AA. Our overall analysis does indicate that the majority of the dollar amounts of loans reviewed were within the bank's AA.

Internal reports provided by management indicate that combined, 73% of the number and 69% of the dollar amount of all loans originated in 1999 and 2000, excluding participation loans purchased, were within FNB's AA.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Mortgage	56	68.30	4,714	53.75	26	31.70	4,055	46.25
Consumer	23	79.31	211	87.14	6	20.69	30	12.86
Agriculture	141	76.22	3,823	82.62	44	23.78	804	17.38
Commercial	22	73.33	986	29.38	8	26.67	2,368	70.62
Total Reviewed	242	74.23	9,734	57.29	84	25.77	7,257	42.71

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

The loan portfolio reflects a satisfactory distribution of mortgage and consumer loans to individuals with different income levels and to businesses of different sizes. In order to assess this bank's performance within the AA, we reviewed a sample of 23 mortgage-related and 23 consumer loans originated since that last CRA Performance Evaluation (PE).

Our findings reflect good consumer loan penetration to LMI households. Our analysis of mortgage loans made to LMI families did not initially appear to reflect the make-up of the AA. According to census demographic information, approximately 20% of this area are low-income families and 15% are middle-income families. Our loan sample indicates that there were no loans made to low-income families and only 9% were made to middle-income families. According to management, and verified through our review of home sale listings in Lee County, there are very few homes available in this AA at selling prices for which LMI families could qualify. Management and the community contacts were not aware of any government-related programs with funds currently available to assist LMI families in purchasing a home in Lee County. The following charts reflect the results of our analysis of mortgage and consumer lending activity in the AA.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.13		14.56		19.18		46.13	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0	0	8.70	4.24	4.34	7.91	86.96	87.85

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.13		13.86		16.32		45.69	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	21.74	11.57	21.74	18.38	26.09	25.01	30.43	45.04

FNB originates a satisfactory number of agricultural and commercial-related loans, the vast majority of which have been to “small businesses with revenues less than 1MM.” Management continues to focus on providing loans that will enhance the local economy. The following chart reflects the combined results of our analysis of a sample of 44 agricultural- and commercial-related loans made since the last PE.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	91.84	8.16
% of Bank Loans in AA #	97.73	2.27
% of Bank Loans in AA \$	85.14	14.86

Geographic Distribution of Loans

The geographic distribution of loans within Lee County is reasonable given the demographics of this AA. Our analysis included all mortgage- and agricultural-related loans originated since the last CRA PE and a sample of 23 consumer and 22 commercial loans originated during this same period.

Our analysis initially appeared to indicate that the geographic distribution of mortgage loans to moderate-area homeowners and commercial-related loans did not reflect the make-up of this AA. Demographic information indicates that 21% of households live in the one moderate-income BNA. Our mortgage loan sample revealed that only 9% were made in this one area. AA business information indicates that 7% of the non-farm businesses are in moderate-income areas. Our commercial loan analysis found that no loans were made to moderate area businesses.

Limited lending opportunities and physical restrictions in this area contribute to the low performance in the moderate area households and non-farm businesses. This low performance is understandable given that this one geographic area is sparsely populated, rural in nature, and primarily consists of larger agricultural-related properties. As a result, there is very little demand for mortgage and non-farm business loans in this one area. The vast majority of AA non-farm businesses are located in the one upper BNA, which encompasses the City of Giddings. Giddings is the largest community in Lee County, both in terms of population and the number of non-farm businesses. The following chart reflects the results of our sample of mortgage, consumer, agricultural, and commercial-related loans originated in FNB's AA.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
# of Census Tracts	0		1		2		1	
% of AA Owner-Occupied	0		21.24		47.07		31.69	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	8.93	6.53	58.93	68.75	32.14	24.72

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
# of Census Tracts	0		1		2		1	
% of AA Households	0		21.10		42.32		36.58	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	26.09	31.56	26.09	19.24	47.82	49.20

BUSINESS LOANS-AGRICULTURAL								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farm Businesses	0		30.43		39.14		30.43	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	21.28	7.48	43.97	41.15	34.75	51.37

BUSINESS LOANS-COMMERCIAL								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		7.07		19.62		73.31	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	0	0	45.45	60.97	54.55	39.03

Response to Complaints

FNB has received no complaints relating to its CRA performance.

Compliance with Fair Lending Laws and Regulations

An analysis of consumer automobile loans originated during 1998 and 1999, public file comments, and consumer complaint information was performed in accordance with the OCC's risk-based fair lending examination standards. That analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with this CRA evaluation. The latest fair lending examination was performed in August 1999.