



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 21, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**108 E. Austin
Giddings, TX 78942**

**Comptroller of the Currency
Austin Field Office
8310 Capital of Texas Highway North, Suite 250
Austin, Texas 78731-1080**

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's (FNB) 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 averaged 63% during the evaluation period. Such performance is reasonable given the available loan demand in the AA.
- A substantial 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.
- There have been no complaints with respect to FNB's performance under the Community Reinvestment Act (CRA).

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 drive-through facility, 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. (GBI) located in Giddings. Total assets of GBI as of December 31, 2004 were 9.7MM.

As of December 31, 2004, FNB had total assets of \$102 million with 51% centered in the loan portfolio. The bank's primary loan products include residential and commercial real estate, and consumer loans. The chart on the following page details a breakdown of FNB's loan portfolio as of December 31, 2004.

Loan Type	Dollar Amount (000's)	% of Total Loans (*) Less than 1%
Real Estate (RE) Construction	1,648	3
RE Farmland	3,734	7
RE Residential (1-4)	9,434	18
Multifamily	2,378	5
RE Nonfarm Nonresidential	16,374	31
Agricultural Production	1,504	3
Commercial and Industrial	7,117	14
Consumer	1,732	3
Municipal obligations	8,258	16
Other	71	0*
Total	52,250	100.0

Bank lobby and drive-through services are provided Monday through Friday, with drive-through services 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 faces strong competition from other financial institutions located in 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. The bank was rated “Satisfactory” at the last CRA examination that commenced on February 20, 2001. No legal impediments or other factors hinder FNB’s ability to provide credit in its AA.

DESCRIPTION OF LEE COUNTY

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	4,190
Number of Households	5,674
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	50
% Upper-Income Census Tracts/BNA	50
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,380
2003 HUD-Adjusted MFI	41,200
2004 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	1.23
2004 Median Housing Value	71,428
% of Households Below Poverty Level	14

This area is made up of contiguous census tracts (CTs), 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 low- to moderate-income (LMI) geographies. A further description of the AA is presented below.

Based on the 2000 Census data, Lee County has a population of approximately 16 thousand. The four census tracts are divided evenly into middle- and upper-income areas. There are no low- or moderate-income areas in Lee County. There are 4 thousand housing units in the AA of which 66% are owner-occupied, 17% renter-occupied, and 17% vacant. Oil and gas production and agriculture have traditionally been a significant influence in the local economy; however, light industrial and service industry growth has improved economic conditions in recent years. 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 evaluation. One of the contacts was an economic development official, while the other was a local real estate agent. These individuals stressed the need for affordable housing within Giddings and the surrounding areas. Both contacts stated that there were no unmet credit needs in the City of Giddings. The contacts further stated that FNB is active in the community and responsive to local credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management 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 is considered satisfactory, given its asset size, financial condition, and lending opportunities in the AA. Since the last CRA examination, the LTD ratio has increased from 51% at January 31, 2001, to 69% at December 31, 2004. The average LTD ratio over the past 16 quarters was 63%, which is above an average 33% during the previous evaluation. This increase in the LTD is due to the bank's level of loan participations. When excluding the bank's loan participations, the LTD falls to 49% and is slightly below the 51% achieved in 2000. Such performance is consistent and reasonable given the dollar volume of public funds (\$12 million) deposited by local government and agencies, and available loan demand in the AA. An LTD ratio of 59% is obtained upon netting out both public funds and participations purchased. Also, the LTD ratio is reasonable when compared with other similarly situated banks. During the period from January 2001 through December 2004, the competing banks had LTD ratios ranging from 49% to 68%. It should be noted that peer bank FNB Bastrop is located in close proximity to Austin, which provides the bank with access to a larger market with greater lending opportunities. The asset size and LTD ratio for FNB and its three competing banks during this period are listed below.

Institution	Assets as of 12/31/04	Average LTD Ratio- %
FNB Bastrop	253,194	68.37
Elgin Bank of Texas	84,471	58.46
Carmine State Bank	32,850	48.82
<i>FNB Giddings</i>	<i>102,443</i>	<i>62.64</i>

Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. In order to assess performance for these criteria, we reviewed a sample of 25 consumer, 23 residential, and 27 commercial loans originated during January 2001 through December 2004. Our analysis determined that 88% of the number and 85% of the dollar amount of consumer loans were made within the AA. We further determined that 87% of the number and 89% of the dollar amount of residential loans were made within the AA. Finally, 78% of the number and 69% of the dollar amount of commercial loans were made within the AA.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$	%	#	%	\$	%
Consumer	22	88	83	85	3	12	15	15
Residential	20	87	1,294	89	3	13	165	11
Commercial	21	78	3,431	69	6	22	1,514	31
Total Reviewed	63	84	4,808	74	12	16	1,694	26

Note: \$ is in 000s

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

FNB's loan portfolio reflects an excellent distribution among individuals of various income levels and commercial businesses of different sizes within the AA. Our analysis included a sample of 21 consumer, 20 residential, and 27 commercial loans originated during the period of January 2001 through December 2004.

Our analysis determined that FNB lends to all applicants, regardless of their income category. Based on the 2000 Census, 33% of AA households are LMI. Our review determined that 76% of consumer loans were made to LMI households. However, the bank's residential loan penetration of 15% to LMI families was below AA demographics. Based on the 2000 Census, 32% of AA families are LMI. According to the community contact made during this evaluation, there are very few homes available in the AA at selling prices that LMI families could qualify for. The following chart reflects the results of our selected sample of consumer loans originated in FNB's AA.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	19		14		18		49	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	38	21	38	58	10	12	14	9

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	15		17		21		47	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	5	2	10	7	30	24	55	66

FNB originates commercial loans in a manner consistent with area demographics. The bank's distribution of loans to "small businesses with revenues less than \$1 million" is reflective of FNB's focus on providing loans that will enhance the local economy.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	92	8
% of Bank Loans in AA #	96	4
% of Bank Loans in AA \$	94	6

Geographic Distribution of Loans

As previously mentioned, there are no census tracts classified as middle-income areas. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

Responses to Complaints

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

Fair Lending

An analysis of 2001 through December 2004 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.