



PUBLIC DISCLOSURE

July 24, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Giddings
Charter Number 4410

108 E. Austin
Giddings, TX 78942

Office of the Comptroller of the Currency
San Antonio North Field Office
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, and should not, 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.

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Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The primary factors supporting an overall CRA rating of satisfactory include:

- The average quarterly loan-to-deposit (LTD) ratio is reasonable given the bank's size and financial condition, and the credit needs in the assessment area (AA).
- A majority of the bank's loans, by number and dollar volume, originated inside its AA.
- The distributions of business and residential loans reflect reasonable penetration to businesses of different sizes and to borrowers of different income levels, including low- or moderate-income (LMI) borrowers.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CT generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AAs or outside the AAs provided the bank has adequately addressed the community development needs of its AAs.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area (MA)/assessment area (AA).

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For a bank with domestic branches in only one state, its CRA rating would be the state rating. If a bank maintains domestic branches in more than one state, the bank will receive a rating for each state in which those branches are located. If a bank maintains domestic branches in two or more states within a multi-state metropolitan area, the bank will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

First National Bank Giddings (FNBG), a full-service, intrastate community bank headquartered in Giddings, Texas, is located 50 miles east of Austin and 100 miles west of Houston. FNBG is 100% owned by Giddings Holdings, Inc., a one-bank Delaware-based holding company that is 100% owned by Giddings Bancshares, Inc., which is headquartered in Giddings, Texas. We did not review any affiliate activities during this evaluation.

The bank operates two locations in Giddings; the main office and a stand-alone drive-through facility. Both locations have an onsite automatic teller machine (ATM) and convenient banking hours Monday through Friday. The drive-through facility is also open on Saturday. FNBG has not opened or closed any locations since the previous CRA evaluation.

FNBG offers traditional loan and deposit products. FNBG offers online and mobile banking via its Internet website (<https://www.FNBGiddings.com>) that allows customers to pay bills, check account balances, transfer funds between accounts, make loan payments, view account transactions, and use remote check deposit. In addition, depositors can access account funds 24-hours a day via the ATMs. While loans are offered only at the main office, loan applications are available online. FNBG's current business strategy is to continue offering single family residential loans and commercial loans as primary lending products.

The FDIC's Deposit Market Share report as of June 30, 2017, reflects 5 financial institutions operate 9 offices within the bank's AA. FNBG ranks 1st with total deposits of \$158.6 million or a deposit market share of 34%; Round Top State Bank ranks 2nd with a 31% deposit market share. As of March 31, 2017, FNBG reported total assets of \$182 million and Tier 1 capital of \$20.3 million. Net loans totaled \$99 million or 54% of total assets and 62% of total deposits. The following table reflects a detailed breakdown of FNBG's outstanding loan portfolio as of March 31, 2017.

Loan Portfolio Summary by Loan Category		
Loan Category	Dollar Volume \$ (000)	% of Outstanding Dollars
Residential	37,666	38%
Commercial and Commercial Real Estate	31,020	31%
Agricultural/Farm Related	26,351	27%
Consumer and Other	3,978	4%
Total	99,015	100%

Source: March 31, 2017 Call Report

There are no legal, financial, or other factors impeding FNBG's ability to meet credit needs in its AA. The prior CRA evaluation, dated June 10, 2013, assigned an overall "Satisfactory" rating to FNBG's lending performance.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FNBG's lending performance using interagency Small Bank procedures. The evaluation covered the period from January 1, 2015 through March 31, 2017. We analyzed loan originations during this evaluation period and identified residential and commercial (including

real estate) loans as primary products. We noted that by dollar volume aggregate, agricultural loans were the second largest volume of loans originated during the evaluation period. However, a significant number of these loans are not secured by farmland or agricultural production loans. We did not include agricultural loans as a primary product because most of the loans are secured by unimproved land purchased by upper-income borrowers for investment purposes or future home construction.

We selected a sample of 20 loans for each primary product, resulting in a total sample of 40 loans. We used the original sample to determine lending inside the AA and then replaced loans originating outside the AA with loans originating inside the AA to assess borrower distribution. We did not assess geographic distribution because the AA does not include LMI geographies.

Data Integrity

We verified the information in the bank's files for the borrowers in our loan sample was accurate and reliable for use during this evaluation.

Selection of Areas for Full-Scope Review

FNBG has only one AA and it received a full-scope review. Refer to the table in Appendix A for more information.

Ratings

The overall rating is based on the reasonable average quarterly LTD ratio, a reasonable penetration to borrowers of different income levels and businesses of different sizes, and a majority of loans originated inside the AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice (DOJ), the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB), as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices.

The OCC will consider any evidence of discriminatory or other illegal credit practices, relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Criteria

FNBG has demonstrated satisfactory performance based on its reasonable average quarterly LTD ratio, a majority of loans originated inside the AA, and reasonable penetration to borrowers of different income levels and to businesses of different sizes.

Loan-to-Deposit Ratio

FNBG's quarterly average LTD ratio is reasonable given its size, the demographics of the AA, competition in the AA, and the economic environment during the evaluation period. Over the sixteen quarters in the evaluation period, FNBG's LTD ratio ranged from a low of 47% at March 31, 2014, to a high of 60% at March 31, 2017. To assess FNBG's performance, we compared its quarterly average LTD ratio to three similarly situated banks. As reflected in the following table, the average LTD ratios for the three banks ranged from 41% to 72%. FNBG's average quarterly ratio of 52% is less than the three banks' average quarterly ratio of 57%. However, FNBG operates only two locations in one county. Each of the three other institutions has a number of branches in other counties. As previously noted, FNBG does have the largest market share of deposits in the AA.

INSTITUTION	ASSETS (\$000s) As of March 31, 2017	AVERAGE QUARTERLY LTD RATIO June 30, 2013 through March 31, 2017
Round Top State Bank	\$506,170	58%
Citizens Cameron	\$415,581	41%
Classic Bank, Cameron	\$320,426	72%
<i>First National Bank of Giddings</i>	\$182,491	52%

Source: Quarterly Call Report data from June 30, 2013 through March 31, 2017

Lending in Assessment Area

FNBG originated a majority of loans by number and dollar volume inside its AA. The table below reflects the percentages by number and dollar volume of loans originated inside the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollar Volume of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Single Family Residence	12	60	8	40	20	2,036	68	947	32	2,983
Commercial	10	50	10	50	20	1,295	53	1,170	47	2,466
Totals	22	55	18	45	40	3,331	61	2,117	39	5,448

Source: Loan Samples

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

The distribution of loans represents reasonable penetration to businesses of different sizes, and to borrowers of different income levels.

Residential Loans

For the distribution of residential loans, we compared data from our residential loan sample to demographic data from the 2010 Census. As shown in the following table, the distribution of loans to low-income borrowers is lower than demographic data and reflects poor penetration. The distribution of loans to moderate-income borrowers exceeds the demographic data and reflects excellent penetration. Overall, the distribution of residential loans is adequate and reflects reasonable penetration.

Borrower Distribution of Single Family Residential Loans in the Assessment Area								
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
Single Family Residential	13	5	15	20	18	10	55	65

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

Business Loans

The distribution of business loans reflects reasonable penetration to businesses of different sizes. For the distribution of business loans, we compared data from our business loan sample to demographic data from Dunn & Bradstreet. As reflected in the following table, 80% of the sampled loans by number originated to businesses with annual revenues equal to or less than \$1 million. Demographic data reflects 81% of the businesses in the AA have annual revenues equal to or less than \$1 million. The percentage of sampled loans by dollar volume (57%) is somewhat lower than the demographic data. However, the percentage is skewed by a large loan (\$747 thousand) to a business with annual revenue greater than \$1 million.

Borrower Distribution of Loans to Businesses in the Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81	6	13	100%
% of Bank Loans in AA by #	80	20	0	100%
% of Bank Loans in AA by \$	57	43	0	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

There are no LMI CTs in Lee County; an analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

FNBG did not receive any complaints related to its CRA performance during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2015 to 03/31/2017)	
Financial Institution	Products Reviewed	
First National Bank Giddings (FNBG) Giddings, Texas	Residential Loans Business/Commercial Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Lee County	Full-Scope	Entire County

Appendix B: Community Profiles for Full-Scope Areas

Demographic Information – Lee County Assessment Area					
Demographic Characteristics	#	Low	Moderate	Middle	Upper
Geographies (Census Tracts)	4	0%	0%	25%	75%
Population by Geography	16,612	0%	0%	36%	64%
Owner-Occupied Housing by Geography	4,627	0%	0%	27%	73%
Business by Geography	1,059	0%	0%	50%	50%
Farms by Geography	95	0%	0%	17%	83%
Family Distribution by Income Level	4,225	13%	15%	18%	55%
Distribution of LMI Families throughout AA Geographies	1,160	0%	0%	42%	58%
MSA, Median Family Income (MFI) – 2010 Census		\$61,290	Avg. of Median Home Value		\$114,301
FFIEC Updated MSA MFI – 2015		\$52,800	Unemployment Rate (June 2017)		3.7%
FFIEC Updated MSA MFI – 2016		\$52,400			
FFIEC Updated MSA MFI - 2017		\$52,400			
Households Below Poverty Level		11%			

Source: 2010 US Census and FFIEC Updated MFI

FNBG designated Lee County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. Giddings, the seat of Lee County, is the largest city in the AA. Other towns in the AA include Dime Box and Lexington. FNBG operates in a rural area with competition from state and national banks. The FDIC’s Deposit Market Share report as of June 30, 2017, reflects 5 banks operate 9 offices with the AA.

Business conditions in the AA are good. Main industries include services and retail trade. Major employers include Lee County, the City of Giddings, Giddings ISD, the Texas Juvenile Justice Department State School of Giddings, Altman’s Nursery (seasonal), Pumpco Oilfield Services, and Blue Bonnet Electric Cooperative. Of the 1,059 businesses operating in the AA, 87% are single location businesses, and 73% have fewer than five employees.

The US Bureau of Labor Statistics reports a June 2017 seasonally-adjusted national unemployment rate of 4.4% and a State of Texas unemployment rate of 4.6%. The June 2017 unemployment rate for Lee County is 3.7%, less than both the national and state unemployment rates. Economic conditions within the AA are good and supported by the low unemployment rates.

We contacted a local business person to discuss the community and the credit needs in the AA. The contact stated that banks in the area participate in community activities, often providing monetary support and resources for projects as needed. The contact also said banks provide loans, education, and assistance to local consumers and to the business community. The contact said banks in the AA are meeting the credit needs of the community.