



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**March 06, 2006**

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

**The First National Bank of Gilmer  
Charter Number 5288**

**201 North Wood Street  
Gilmer, TX 75644**

**Comptroller of the Currency  
Longview (NE Texas & NW Louisiana)  
1800 West Loop 281, Suite 306  
Longview, TX 75604**

**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 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 Gilmer has a satisfactory record of meeting community credit needs. This rating is based on the following:

- ❖ The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- ❖ A majority of the bank's loans are extended within its assessment area.
- ❖ Credit activity is more than reasonably distributed to borrowers of different income levels.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Gilmer is a \$154 million bank owned by First Gilmer Bancshares, Inc., a bank holding company that is wholly owned by First Gilmer Delaware Limited. Other bank subsidiaries of First Gilmer Bancshares, Inc. include Wood County National Bank, Quitman, Texas and Security State Bank N.A., Ore City, Texas. The main office of First National Bank of Gilmer is located at 201 North Wood, Gilmer, Texas. The bank has three full service branch locations; the main office in Gilmer, a full service branch located in the Wal-Mart Supercenter in Gilmer and a full service branch located at 908 West Broadway in Big Sandy, Texas. Automated teller machines (ATMs) are available in all locations. As of December 31, 2005, loans totaled \$73 million and represented 47% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

| <b>Loan Category</b>          | <b>\$ (000)</b> | <b>%</b>       |
|-------------------------------|-----------------|----------------|
| Commercial Real Estate Loans  | 19,527          | 26.86%         |
| Commercial Loans              | 18,736          | 25.77%         |
| Residential Real Estate Loans | 17,796          | 24.48%         |
| Consumer Loans                | 16,634          | 22.89%         |
| <b>Total</b>                  | <b>72,693</b>   | <b>100.00%</b> |

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated October 15, 2001.

## DESCRIPTION OF UPSHUR COUNTY

The Board has designated Upshur County as its assessment area. The designated assessment area is part of the Longview Metropolitan Statistical Area (MSA). The Upshur County assessment area includes the communities of Gilmer, Ore City, Big Sandy, and Gladewater. Each of the census tracts in the designated area has been designated as middle-income. The assessment area meets the requirement of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies. The following table provides a description of the assessment area based on census data and 2004 Department of Housing and Urban Development (HUD) information.

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b> |        |
|---|--------|
| <i>Population</i>                                     |        |
| Number of Families                                    | 9,996  |
| Number of Households                                  | 13,296 |
| <i>Geographies</i>                                    |        |
| Number of Census Tracts/BNA                           | 7      |
| % Low-Income Census Tracts/BNA                        | 0%     |
| % Moderate-Income Census Tracts/BNA                   | 100%   |
| % Middle-Income Census Tracts/BNA                     | 0%     |
| % Upper-Income Census Tracts/BNA                      | 0%     |
| <i>Median Family Income (MFI)</i>                     |        |
| 2000 MFI for AA                                       | 38,570 |
| 2004 HUD-Adjusted MFI                                 | 47,300 |
| <i>Economic Indicators</i>                            |        |
| Unemployment Rate                                     | 2.30%  |
| 2000 Median Housing Value                             | 56,336 |
| % of Households Below Poverty Level                   | 15.00% |

The bank's designated assessment area has a total population of 35,291. The distribution of families by income level, regardless of census tract location, consists of the following: 20.99% are low income, 19.30% are moderate income, 24.81% are middle income, and 34.90% are upper income. Major industries in the assessment area are Upshur Rural Electric, East Tex Telephone, Rob Roy Industries and Gilmer Potteries. Competition within the area is moderate with several financial institutions. The local economy is considered stable with an unemployment rate of 2.30%.

Contacts with a local Realtor and the local Chamber of Commerce revealed that primary community credit needs for the area are residential mortgages and consumer loans.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition and the credit needs of the assessment area. The bank's quarterly average loan-to-deposit ratio was 60.65% since the prior CRA Examination in October of 2001. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 58.16%.

| Institution                   | Assets (000s)<br>(as of 12/31/05) | Average LTD<br>Ratio |
|-------------------------------|-----------------------------------|----------------------|
| Gilmer National Bank          | 181,250                           | 53.95%               |
| Security State Bank, Ore City | 42,074                            | 59.87%               |
| <i>First National Bank</i>    | <i>153,552</i>                    | <i>60.65%</i>        |

### Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. Bank management maintains a CRA database for the loan portfolio, which allowed a review of all loans granted since the previous Examination. We reviewed 8,441 consumer loans, 1,383 commercial loans, and 251 residential loans. This sample reflected that approximately 67% of the number of loans and 57% of the dollar amount of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

| TOTAL LOANS REVIEWED |                    |        |           |        |                        |        |           |        |
|----------------------|--------------------|--------|-----------|--------|------------------------|--------|-----------|--------|
| LOAN TYPE            | IN ASSESSMENT AREA |        |           |        | OUT OF ASSESSMENT AREA |        |           |        |
|                      | #                  | %      | \$ (000s) | %      | #                      | %      | \$ (000s) | %      |
| Consumer             | 5,700              | 67.53% | 35,742    | 61.03% | 2,741                  | 32.47% | 22,821    | 38.97% |
| Commercial           | 877                | 63.41% | 21,633    | 46.52% | 506                    | 36.59% | 24,865    | 53.48% |
| Residential          | 196                | 78.09% | 10,862    | 76.37% | 55                     | 21.91% | 3,361     | 23.63% |
| Total Reviewed       | 6,773              | 67.23% | 68,237    | 57.21% | 3,302                  | 32.77% | 51,047    | 42.79% |

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

The distribution of loans within the assessment area reflects a good penetration among borrowers of different income levels and businesses of different sizes. First National Bank's primary product lines are commercial, residential mortgages, and consumer loans. Our sample of loans inside the assessment area included 5,700 consumer loans and 196 1-4 family residential loans. The distribution of these loan products approximates or exceeds the income characteristics of the assessment area. Most notable is the bank's loan penetration among low-and-moderate income individuals, which generally exceeds the demographics.

| RESIDENTIAL REAL ESTATE       |             |             |             |             |             |             |             |             |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level         | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Families <sup>1</sup> | 20.99%      |             | 19.30%      |             | 24.81%      |             | 34.90%      |             |
|                               | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                               | 13.78%      | 5.85%       | 32.65%      | 24.15%      | 27.04%      | 32.18%      | 26.53%      | 37.82%      |

| CONSUMER                        |             |             |             |             |             |             |             |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level           | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Households <sup>2</sup> | 24.77%      |             | 15.96%      |             | 19.77%      |             | 39.50%      |             |
|                                 | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                                 | 44.14%      | 26.50%      | 29.19%      | 27.62%      | 11.96%      | 16.08%      | 14.71%      | 29.80       |

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. The bank's database of business information for CRA purposes did not include revenue information; therefore, we specifically sampled 20 business loans originating within the assessment area. Based on U.S. Census information, there are 1,143 business that reported revenues less than \$1 million and 50 businesses reporting revenues in excess of \$1 million.

| BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES |              |              |
|--|--------------|--------------|
| Business Revenues                                  | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses <sup>3</sup>                    | 95.81%       | 4.19%        |
| % of Bank Loans in AA #                            | 60.00%       | 40.00%       |

### Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or any other illegal credit practices.