



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 15, 2012

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

Gladewater National Bank  
Charter Number 17290

678 North Main Street  
Gladewater, TX 75647

Office of the Comptroller of the Currency  
Longview Field Office  
1800 NW Loop 281  
Suite 306  
Longview, TX 75604-2516

**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**

Gladewater National Bank 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 based on its size and complexity.
- A majority of the bank's loans are extended within the bank's assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of Gladewater National Bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank's lending performance are based on consumer loans originating from January 1, 2010 to December 31, 2011.

## **DESCRIPTION OF INSTITUTION**

Gladewater National Bank is a \$39 million institution located in Gladewater, Texas. The bank serves Gladewater and the surrounding area through one full service office and one motor bank office with limited services. Majority ownership of the bank is held by East Texas Financial Corporation, Inc. which also owns the bank's affiliates, Citizens Bank, Kilgore, Texas and Spring Hill State Bank, Longview, Texas. The bank is a full service community bank offering traditional, non-complex residential loans, commercial and consumer loans. There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated satisfactory during the prior Community Reinvestment Act (CRA) Examination dated July 9, 2007. The following chart reflects the distribution of the bank's loan portfolio:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	\$10,109	45.89%
Residential Real Estate Loans	\$6,220	28.23%
Commercial Real Estate Loans	\$3,352	15.21%
Consumer Loans	\$2,351	10.67%
<b>Total</b>	<b>\$22,032</b>	<b>100.00%</b>

## DESCRIPTION OF ASSESSMENT AREA

The Board has designated specific census tracts in Gregg, Upshur and Wood Counties as its primary assessment area. These tracts include: 102 and 104 in Gregg County, tracts 9503, 9504, 9505, 9506, and 9507 in Upshur County and tract 9506 in Wood County. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

Gladewater National Bank has two banking offices located in Gladewater, Texas. The assessment area has no low or moderate income tracts with all tracts designated as middle income. Based on 2000 census data, the assessment area has a total population of 46,347 and the local economy is considered weak but stable. The bank’s primary competition consists of branches of larger national and state chartered banks, all of which operate within the bank’s assessment area. The distribution of families by income level, regardless of census tract location, consists of the following: 19.52 percent are low income, 18.85 percent are moderate income, 23.78 percent are middle income, and 37.87 percent are upper income. Major employers include Caddx-Control, Inc., Supreme Plastics, Inc., and Texas Die Casting. Contact with a local business organization revealed the primary community credit needs for the assessment area are residential mortgages and small commercial loans. The following table reflects the demographics for the assessment area (AA):

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS</b>	
<b><i>Population</i></b>	
Number of Families	12,995
Number of Households	17,514
<b><i>Geographies</i></b>	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<b><i>Median Family Income (MFI)</i></b>	
2000 MFI for AA	\$40,396
2011 HUD-Adjusted MFI	\$54,725
<b><i>Economic Indicators</i></b>	
Unemployment Rate	4.43%
2011 Median Housing Value	\$60,537
% of Households Below Poverty Level	13.97%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Gladewater National Bank’s performance under the lending test is satisfactory. The bank has demonstrated satisfactory performance in meeting the credit needs of the community. All performance criteria of the lending test are documented below.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of Gladewater National Bank is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 66.92 percent since the prior CRA examination in July 2007. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 69.77 percent.

Institution	Assets (000s) (as of 6/30/2012)	Average LTD Ratio
Gladewater National Bank	\$39,487	66.92%
Kilgore National Bank	\$84,023	61.92%
White Oak State Bank	\$78,147	87.97%
Gilmer National Bank	\$195,892	62.33%
The First National Bank of Gilmer	\$256,526	66.87%

### Lending in Assessment Area

A majority of the bank's lending activity is located inside its assessment area. We reviewed 20 consumer loans originated in the years 2010 and 2011. This sample reflected 75 percent of the number of loans and 80 percent of the dollar amount of loans were extended in the bank’s assessment areas. The breakdown by number and dollar amount is illustrated in the following table:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	15	75.00%	5	25.00%	20	\$171	80.13%	\$42	19.87%	\$213
Totals	15	75.00%	5	25.00%	20	\$171	80.13%	\$42	19.87%	\$213

Source: Loan Sample

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

The distribution of loans to borrowers of different incomes is reasonable throughout the assessment area.

The distribution of consumer loans by borrower income level is reasonable. Lending to low income borrowers for consumer loans exceeds the percentage of households in the assessment area. Lending to moderate income borrowers loans is near to the percentage of households in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	23.20	25.00	15.86	15.00	19.37	0.00	41.56	60.00

Source: Loan Sample, US Census data

**Geographic Distribution of Loans**

A geographic analysis of lending activity was not performed. There are no low or moderate-income geographies located in the assessment area; therefore, an analysis would not be meaningful.

**Responses to Complaints**

Gladewater National Bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank’s (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.