



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gilmer National Bank
Charter Number 5741

900 North Wood Street
Gilmer, TX 75644

Office of the Comptroller of the Currency

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

Gilmer 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 substantial majority of the bank's loans is 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 Gilmer National Bank's ability to meet the credit needs of the community in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank's lending performance are based on residential home purchase, residential refinance, consumer, and commercial loans originated from January 1, 2010 to December 31, 2011.

DESCRIPTION OF INSTITUTION

Gilmer National Bank (GNB) is a \$201 million institution located at 900 North Wood Street, Gilmer, Texas. The bank serves Gilmer and the surrounding area through one full service office. GNB is wholly owned by Gilmer National Bancshares. The bank is a full service community bank offering traditional, non-complex residential, 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 August 20, 2007. The following chart reflects the distribution of the bank's loan portfolio:

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$38,566	31.35%
Commercial Real Estate Loans	\$30,428	24.73%
Consumer Loans	\$28,919	23.50%
Agricultural	\$15,058	12.24%
Commercial Loans	\$10,066	8.18%
Total	\$123,037	100.00%

DESCRIPTION OF ASSESSMENT AREA(S)

The Board has designated Upshur County as its primary assessment area, which is part of the Longview Metropolitan Statistical Area and includes the following census tracts based on the 2000 census data: 9501, 9502, 9503, 9504, 9505, 9506, and 9507. This assessment area meets

the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low or moderate-income geographies.

Gilmer National Bank has one banking office located in Gilmer, Texas. The assessment area has no low or moderate-income tracts with all tracts designated as middle-income. Based on the 2000 census data, the assessment area has a total population of 35,291 and the local economy is considered fair but stable. The distribution of families by income level, regardless of census tract location, consists of the following: 20.99 percent are low-income, 19.30 percent are moderate-income, 24.81 percent are middle-income, and 34.90 percent are upper-income. Major employers include the local school district, Rob Roy Industries, Coil Specialists, Inc., Upshur Rural Electric Cooperative Corp, and Etex Telephone Cooperative. Contact with a local business organization revealed the primary community credit needs for the assessment area are residential mortgages, consumer loans, and small commercial loans. The following table reflects the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS of AA	
<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	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$40,970
2011 HUD-Adjusted MFI	\$55,600
<i>Economic Indicators</i>	
Unemployment Rate	3.00%
2011 Median Housing Value	\$56,336
% of Households Below Poverty Level	15.19%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Gilmer 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 Gilmer 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 62.70 percent since the prior CRA Examination in August 2007. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 64.01 percent.

Institution	Assets (000s) (as of 9/30/2012)	Average LTD Ratio
Gilmer National Bank	\$201,349	62.70%
The First National Bank of Gilmer	\$261,267	67.02%
Gladewater National Bank	\$44,824	66.56%
Bank Texas, N.A.	\$220,778	66.08%
Security State Bank, N.A.	\$44,029	56.41%
Average Loan-to-Deposit Ratio		64.01%

Lending in Assessment Area

A substantial majority of the bank's lending activity is located inside its assessment area. Our review focused on the bank's primary product lines that include residential purchase money loans, residential refinance loans, consumer loans, and commercial loans. We reviewed all home purchase and refinance loans for the years 2010 and 2011 and a sample of 22 consumer loans and 23 commercial loans originated in the years 2010 and 2011. This reflected 79.26 percent of the number of loans and 78.34 percent of the dollar amount of loans were extended in the bank's assessment area. 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 (000's)	Inside		Outside		Total (000's)
	#	%	#	%		\$	%	\$	%	
Home Purchase	54	71.05	22	28.95	76	7,134	71.30	2,872	28.70	10,006
Home Refinance	18	94.74	1	5.26	19	1,532	98.71	20	1.29	1,552
Consumer	17	85.00	3	15.00	20	176	76.99	53	23.01	229
Commercial	18	90.00	2	10.00	20	2,159	95.71	97	4.29	2,256
Totals	107	79.26	28	20.74	135	11,001	78.34	3,042	21.66	14,043

Source: Data reported under HMDA and 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. While there are no loans to low-income individuals for residential purchase loans, loans to moderate-income borrowers for residential purchase loans were near to the percentage of moderate-income family demographics. Loans to low and moderate-income individuals for residential refinance loans are less than the percentage of low- and moderate-income families. Approximately 15 percent of the households in the assessment area live below the poverty level, with over 35 percent receiving social security or public assistance. Furthermore, competition for home mortgage products is strong with numerous bank, mortgage companies, and financial institutions vying for these products. In addition, there are alternative sources of low and moderate-income housing in the assessment area through government-subsidized housing as well as housing provided through the Gilmer Housing Authority. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers.

Borrower Distribution of Residential Real Estate Loans in 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
Home Purchase	20.99	0.00	19.30	11.36	24.81	15.91	34.90	72.73
Home Refinance	20.99	6.25	19.30	6.25	24.81	68.75	34.90	18.75

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

Borrower Distribution of Consumer Loans								
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	24.77	45.00	15.96	30.00	19.77	5.00	39.50	20.00

Source: Loan Sample, US Census data

The distribution of loans to small businesses in the assessment area is excellent. The percentage of loans to businesses with revenues of \$1 million or less far exceeds the percentage of businesses with revenues of more than \$1 million.

Borrower Distribution of Loans to the Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.96	1.28	22.76	100
% of Bank Loans in AA by #	95.00	5.00	0.00	100
% of Bank Loans in AA by \$	98.73	1.27	0.00	100

Source: Loan sample; Dun and Bradstreet 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

Gilmer 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.