



PUBLIC DISCLOSURE

February 12, 2018

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, 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.

Table of Contents

OVERALL CRA RATING	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	10
LENDING TEST	10
APPENDIX A: SCOPE OF EXAMINATION.....	1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	1

Overall CRA Rating

This institution is rated **Satisfactory**

Gladewater National Bank has a “Satisfactory” record of meeting the credit needs within its assessment area. The major factors supporting this rating include:

- The bank’s average loan-to-deposit (LTD) ratio is reasonable.
- A majority of the bank’s loans were extended within their assessment area (AA).
- The bank’s distribution of loans based on borrower income represents an excellent penetration within its AA.

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/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts 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. Census tracts 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 low- or moderate-income individuals; community services targeted to low- or moderate-income 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 low- or moderate-income 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 assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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 census tract 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 refinancings, 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 MA/assessment area.

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 an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution 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

Gladewater National Bank (GNB) is a nationally chartered community bank located at 678 North Main Street in Gladewater, Texas. The bank reported total assets of \$38 million as of December 31, 2017. GNB is a full service community bank that offers traditional consumer, residential, and commercial loans. GNB's business strategy is that of a traditional community bank with focus on consumer loans. Majority ownership of the bank is held by East Texas Financial Corporation, Inc. which also owns the bank's affiliate, Citizens Bank in Kilgore, Texas.

As of December 31, 2017, GNB's loan portfolio totaled \$23.1 million with reported deposits of \$30.8 million. The following chart reflects the distribution of the bank's loan portfolio as of December 31, 2017.

Loan Category	\$ (000)	%
Commercial Loans (includes commercial real estate)	\$10,008	43.31%
Residential Real Estate Loans	\$11,808	51.12%
Consumer Loans	\$1,280	5.54%
Other	\$6	0.03%
Total	\$23,102	100.00%

There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated "Satisfactory" at the prior CRA Examination dated October 15, 2012. OCC records and the bank's CRA public file indicate there have been no complaints related to the CRA performance. GNB's tier 1 capital equaled \$7.3 million, representing 18.82 percent of adjusted average assets as of December 31, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

GNB's CRA performance was evaluated using the small bank CRA procedures. Under these procedures, loan originations are evaluated to determine if the institution is meeting the credit needs of its AAs. Conclusions regarding the bank's lending performance are based on consumer loans originated from January 1, 2016 to December 31, 2017. Consumer loans represented 69.4 percent of loan originations by number during this evaluation period. Conclusions for this analysis was based on statistical samples of consumer loans.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 assessment area 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, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Conclusions with Respect to Performance Tests

LENDING TEST

GNB’s performance under the CRA is “Satisfactory”. The bank’s LTD ratio is reasonable and a majority of the bank’s lending activity was originated within its AA. In addition, the distribution of loans to borrowers of different income levels reflects an excellent penetration. Finally, there were no CRA related complaints filed during this evaluation period.

Loan-to-Deposit Ratio

GNB’s LTD ratio is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s quarterly LTD ratio has averaged 79.76 percent since the prior CRA evaluation. The average quarterly LTD ratio of similarly situated banks for the same time period equaled 74.09 percent and ranged from 56.31 percent to 95.89 percent.

Lending in Assessment Area

A majority of the bank’s lending activity is located inside its AA. We reviewed a sample of consumer loans originated during 2016 and 2017. This sample reflected 75 percent of the number of loans were extended in the institution’s AA. Refer to the following table:

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	15	75.00	5	25.00	20	\$111	82.39	\$24	17.61	\$135

Source: Loan sample.

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

GNB’s distribution of loans based on borrower income represents an excellent penetration given the demographics of the institution’s AA.

The distribution of loans among individuals of different income levels is excellent based on consumer loan originations. The percentage of loans to both low-income and moderate-income households exceeded the AA's demographics

Table 2 - Borrower Distribution of Consumer Loans in AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.83	30.00	14.72	40.00	17.05	15.00	44.40	15.00

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

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

Responses to Complaints

GNB did not receive any complaints or public comments regarding its CRA performance during this 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 nonmetropolitan 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): (01/01/2016 to 12/31/2017)	
Financial Institution		Products Reviewed
Gladewater National Bank (GNB) Gladewater, Texas		Consumer Loans
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Gladewater AA Part of the Longview, TX MSA	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Gladewater AA

Demographic Information for Full-Scope Area: Gladewater AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	0.00	90.91	9.09	0.00
Population by Geography	65,369	0.00	0.00	90.54	9.46	0.00
Owner-Occupied Housing by Geography	16,494	0.00	0.00	90.63	9.37	0.00
Businesses by Geography	4,218	0.00	0.00	90.42	9.58	0.00
Farms by Geography	118	0.00	0.00	97.46	2.54	0.00
Family Distribution by Income Level	16,333	22.72	16.22	17.79	43.27	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,360	0.00	0.00	94.36	5.64	0.00
Median Family Income = \$56,689 FFIEC Adjusted Median Family Income for 2017 = \$61,400 Households Below the Poverty Level = 15.77			Median Housing Value = \$102,930 Unemployment Rate = 3.78%			

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 FFIEC updated MFI.

GNB has designated Gladewater and the surrounding geographies as its AA. The AA is part of the Longview, TX MSA and includes tracts 102.00, 103.02, 104.00, 105.00, 106.00 and 107.00 in Gregg County and tracts 9503.00, 9504.00, 9505.00 9506.00 and 9507.00 in Upshur County. This AA meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low- or moderate-income geographies. The AA has a total population of 65.4 thousand and consists of ten middle-income CTs and one upper-income CT. The bank serves this AA through one full service office and one motor bank site with limited services.

Major employers include Texas Die Casting, Inc., 3D Plastics, and Tommy Ellis Trucking. The local economy is considered stable with an unemployment rate of 3.78 percent. The poverty level within the AA is moderately high at 15.77 percent. Competition consists primarily of branches of larger national and state chartered banks.

We contacted a local government official as part of our community needs assessment. The contact did not identify any credit needs that were not being met by local financial institutions.