



Comptroller of the Currency
Administrator of National Banks

SMALL

500 N. Akard
1600 Lincoln Plaza
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

April 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Guaranty National Bank
Gainesville, Texas
Charter Number 13698
100 East California Street
Gainesville, Texas 76241**

**Office of the Comptroller of the Currency
Southwestern District
500 North Akard
1600 Lincoln Plaza
Dallas, Texas 75201-3394**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of *Guaranty National Bank, Gainesville, Texas*, (GNB) prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 6, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "*Satisfactory*".

GNB has been doing business in Cooke County since 1933. During this time period a large loan and deposit base was established. GNB expanded into Denton County in 1997. There are six locations serving the two counties. The bank's lending is equitably apportioned to commercial, commercial real estate, residential real estate, agriculture, and consumer loans. Banking facilities are accessible, and the hours are reasonable to serve the needs of the assessment area.

The following table indicates the performance level of *Guaranty National Bank, Gainesville, Texas*, with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Guaranty National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination		

Description of Institution

Guaranty National Bank (GNB) was chartered in 1933 and is a \$144 million full-service financial institution. GNB is owned by Guaranty National Bancshares, Inc. which is 100% owned by GNB Bancshares, Inc. GNB Bancshares, Inc. is owned by 288 shareholders most of whom are local residents. Two shareholders, Chairman of the Board and Chief Executive Office Riley C. Peveto and Director Charles M. Wilson, own more than 5% of GNB Bancshares, Inc. In the previous Community Reinvestment Act Public Evaluation dated, March 8, 1996, GNB was rated **SATISFACTORY**.

GNB has six locations which are in Cooke (3) and Denton (3) Counties of Texas. The main office is at 100 East California in Gainesville. The other locations in Cooke County are at North I-35 Frontage Road in Valley View and at 1000 East Division in Muenster. One Denton County branch is at 100 Exchange Boulevard in Sanger. The other two are at 4400 Main Street and at 4691 State Highway 121 in the Wal-Mart SuperCenter in The Colony.

Banking Hours

Branch	Lobby Hours	Drive-up Hours	ATM
Main Office	Monday 9:00am-6:00pm Tuesday thru Friday 9:00am-3:00pm	Monday thru Friday 8:00am-6:00pm Saturday 8:00am-12:00am	Yes
Sanger	Monday thru Thursday 9:00am-3:00pm Friday 9:00am-6:00pm	Monday thru Friday 7:00am-7:00pm Saturday 9:00am-12:00pm	Yes
Valley View	None	Monday thru Friday 9:00am-6:00pm Saturday 8:30am-10:00am	No
Muenster	Monday 9:00am-6:00pm Tuesday thru Friday 9:00am-3:00pm	Monday & Friday 8:30am-6:00pm Tuesday thru Thursday 8:30am-3:00pm Saturday 8:30am-10:00am	Yes
The Colony	Monday thru Thursday 9:00am-3:00pm Friday 9:00am-6:00pm Saturday 9:00am-12:00pm	Monday thru Friday 7:00am-7:00pm Saturday 9:00am-12:00pm	Yes
Wal-Mart / The Colony	Monday thru Friday 10:00am to 7:00pm Saturday 9:00am-4:00pm	None	Yes

Description of Assessment Area

GNB's assessment area is all Cooke and Denton Counties, Texas. Cooke County is not in a Metropolitan Statistical Area (MSA). Denton County is part of the Dallas MSA.

Gainesville is the largest town in Cooke County with a population of approximately 14,000. It is the county seat and located about 60 miles northwest of Dallas. Other communities in Cooke County include Muenster, Valley View, Lindsay, Myra, Sivells Bend, Era, and Callisburg. Cooke County has a population of 31,948 based on the 1992 census data.

The local economy originally was dependent on farming and ranching but now includes energy, light industrial manufacturing, and a retail outlet mall. The largest employers in Gainesville are the Gainesville Factory Shops (outlet mall), North Central Texas College, Gainesville Memorial Hospital, Rubber/Urethane, Inc., and Valenite. Financial institutions in Gainesville include a state chartered bank, a branch of a national bank, and a mortgage company. Other financial institutions in Cooke County include state chartered banks and branches of national banks.

Denton County is in north central Texas with a population of approximately 242,000 based on 1992 census data. Communities within Denton County include Denton, Sanger, Pilot Point, Aubrey, Krum, Ponder, Justin, Argyle, Roanoke, Lewisville, Lake Dallas, Flower Mound, The Colony, and the northern portion of Carrollton. Denton is the largest city in the county and has a population of over 67,000 based on 1992 census data. The Denton County economy is diverse with many residents commuting to the Dallas-Fort Worth Metroplex for employment.

Denton County has a large diverse employment base. Industrial manufacturing is the largest employment sector of the county.

The weighted average income for the combined Non-MSA of Cooke County and MSA of Denton County is \$50,879. This information is based on the 1996 Housing and Urban Development (HUD) statistics. The assessment area does not arbitrarily exclude low-or-moderate income census tracts and meets the requirements established by the Community Reinvestment Act.

Source: 1990 Census Bureau Statistics

Block Characteristics	# of Tracts	% of Total Tracts	# of Households	% of Total Households
Low	3	5.26%	3,981	3.50%
Moderate	7	12.28%	9,926	8.74%
Middle	22	38.60%	49,771	43.81%
Upper	25	43.86%	49,928	43.95%
Total	57	100.00%	113,606	100.00%

Of the nine block numbering areas (BNAs) in Cooke County, one is moderate income, three are middle income, and five are upper income BNAs. There are no low income BNAs in Cooke County. The census tracts in Denton County include all income levels.

The chart below illustrates the income of households in the assessment area:

Source: 1990 Census Bureau Statistics

Census Tract/Block Characteristics	Low Income Households	Moderate Income Households	Middle Income Households	Upper Income Households
Low	11.76%	3.96%	2.18%	0.62%
Moderate	20.69%	12.04%	6.67%	3.82%
Middle	42.82%	52.61%	52.69%	37.84%
Upper	24.72%	31.39%	38.46%	57.72%
Totals	100.00%	100.00%	100.00%	100.00%

Low and moderate income households are disbursed in all census tracts and block numbering areas in the assessment area.

Conclusions with Respect to Performance Criteria

GNB’s average loan-to-deposit ratio meets the standards for satisfactory performance when compared to other national and state chartered banks in the assessment area. For the previous twelve quarters ending 12/31/98 GNB has an average loan-to-deposit ratio of 56.75%. The average loan-to-deposit ratio for other banks in the assessment area is 58.35%. The ratios for the twelve banks selected for comparison ranges from a low of 32.38% to a high of 76.74%.

GNB’s performance meets the standards for satisfactory performance in lending in its assessment area. The majority of loans originated during 1996, 1997, and 1998 are within the assessment area. A sample of twenty-six mortgage loans showed 88% are within the assessment area. A sample of twenty-six consumer loans indicated 88% are within the assessment area. A sample of thirty commercial and agriculture loans indicated 77% are to businesses and farms located in the assessment area.

Performance meets the standards for satisfactory performance in lending to borrowers and businesses of different income levels. We sampled twenty-three mortgage loans and twenty-three consumer loans originated in the assessment area. Mortgage loans to low income borrowers secured by one-to-four family dwellings totaled 8% of the number of loans sampled. Mortgage loans to moderate income

borrowers totaled 35% of the number of loans sampled. The sample of consumer loans indicated 43% were to low income borrowers and 22% were to moderate income borrowers. This level of lending is commensurate with the population of low and moderate income households in the assessment area.

Lending to small business and small farms also meets the standards for satisfactory performance. Small businesses and small farms are defined by the CRA regulations as businesses or farms with annual gross revenues of \$1 million dollars or less. A majority of the thirty commercial and agriculture loans sampled are to small businesses or small farms.

Source: Commercial Loan Sample

Distribution of Commercial Loans By Gross Revenues January 1996 - December 1998				
	Number of Loans	Percentage of Total Number	Total Dollars (000s)	Percentage of Total Dollars
Gross revenues less than \$1 million	21	70%	6,770	60%
Gross revenues greater than \$1 million	9	30%	4,513	40%
Totals	30	100%	11,283	100%

GNB meets the standards for satisfactory performance in the geographic distribution of loans in the assessment area. The bank’s loans are disbursed throughout the assessment area in communities where the branches are located. Approximately half of the sampled residential loans are in Gainesville. The remainder are dispersed throughout other parts of the assessment area.

The bank is an active supporter of the Gainesville Area Habitat for Humanity. Executive Vice President/Chief Financial Officer Marcia Neal is currently serving as president. Other bank officers and employees are directors, officers, or committee members. Bank management also provides clerical assistance to the organization when needed.

There were no formal complaints pertaining to the Community Reinvestment Act received during the review period. Community contacts from the OCC and other federal banking regulators were employed during this examination.

A review of compliance with the Equal Credit Opportunity Act, Fair Housing Act and Home Mortgage Disclosure Act was conducted concurrently with this examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. GNB has a good record of complying with anti-discrimination laws and regulations.