



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 15, 2012

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

The State National Bank of Groom
Charter Number 12742

99 Broadway
Groom, TX 79039

Office of the Comptroller of the Currency

5225 South Loop 289, Suite 108
Lubbock, TX 79424-1319

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

State National Bank of Groom (SNBG) has a satisfactory record of meeting the credit needs of the borrowers in the assessment area (AA). This conclusion is based on the following findings:

- SNBG's loan-to-deposit ratio is more than reasonable when compared to other similarly situated financial institutions in the AA. The loan-to-deposit ratio averaged 77.59 percent during this evaluation period.
- A substantial majority of the loans sampled, 86.80 percent of the number and 90.95 percent of the dollar volume, were to borrowers within the AA.
- SNBG's distribution of loans to businesses and farms with gross revenues of less than \$1 million is reasonable.
- The geographic distribution of loans within the AA is reasonable given SNBG's business strategy and location.

SCOPE OF EXAMINATION

This Performance Evaluation assesses SNBG's record of meeting the credit needs of the community in which it operates. We evaluated SNBG using the small bank performance criteria: loan-to-deposit ratio, lending in the AA, lending to businesses and farms of different sizes, geographic distribution, and responses to CRA-related complaints.

To evaluate SNBG's lending performance, we selected a random sample of loans based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. Primary loan products during this evaluation period consisted of farm and commercial loans. The loan sample consisted of 26 farm loans and 27 commercial loans originated between August 2007 and December 2011.

DESCRIPTION OF INSTITUTION

SNBG is a small community bank with its main office in Groom, Texas (approximately 40 miles east of Amarillo, Texas) and one branch location in downtown Amarillo, Texas. The Groom location mainly provides agricultural-related lending, and the Amarillo branch mainly services commercial clients. The Amarillo branch is located in a low-income census tract. The bank is wholly owned by Groom Bancshares, a one-bank holding company located in Groom, Texas. As of June 30, 2012, SNBG has total assets of \$36.45 million with 73.04 percent in the loan portfolio. The bank's primary loan products include agricultural loans and commercial loans. The following table details a breakdown of SNBG's loan portfolio.

Loan Portfolio Composition as of September 18, 2012		
Loan Type	\$ (000)	%
Agricultural	14,986	55.91
Agricultural Real Estate	1,257	4.69
Commercial	4,443	16.58
Commercial Real Estate	4,729	17.65
Construction and Development	237	0.88
Consumer	740	2.76
Oil and Gas	201	0.75
Residential Real Estate	191	0.71
Other	20	0.07
Total	26,804	100.00%

SNBG provides standard banking services including various deposit and loan products. Additional details about the services, hours, and fees are provided in the bank's Public File. Based on its financial condition, the local economy, product offerings, and competition, SNBG has the ability to meet the various credit needs of the community. The bank was rated "Satisfactory" at the last CRA examination on August 21, 2007.

SNBG's business strategy is to provide outstanding banking services to customers while increasing the long-term value of the owner's investment. No legal impediments or other factors hinder SNBG's ability to provide credit in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ASSESSMENT AREA(S)

The Board of SNBG has designated the Amarillo Metropolitan Statistical Area (MSA) as its AA. The MSA includes the following counties: Armstrong, Carson, Potter, and Randall. The AA includes all counties which are contiguous and the cities where the bank has its two offices. There are 19 other financial institutions in the AA, some of which are much larger in size and have extensive branching networks.

Demographic and Economic Characteristics of AA	
<i>Population</i>	
Number of Families	59,030
Number of Households	85,289
<i>Geographies</i>	
Number of Census Tracts	62
% Low-Income Census Tracts	4.84%
% Moderate-Income Census Tracts	29.03%
% Middle-Income Census Tracts	40.32%
% Upper-Income Census Tracts	25.81%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	43,719
2010 HUD-Adjusted MFI	58,100
<i>Economic Indicators</i>	
Unemployment Rate	3.53
2010 Median Housing Value	74,995
% of Households Below Poverty Level	13.53%

Source: Based on 2000 Census Data and Updated HUD Income Data

The AA is comprised of 62 census tracts (CTs) and meets the requirements of the regulation. No low- or moderate-income tracts are arbitrarily excluded. Three tracts are designated as low-income; 18 are moderate-income; 25 are middle-income; and 16 tracts are designated as upper-income. Based on 2000 Census data, the AA has a total population of 226,522. There are 91,594 total housing units in the AA, of which 61.34 percent are owner-occupied units. Census data reports 29,089 or 31.76 percent of the units are renter-occupied, and 6,322 or 6.90 percent are vacant. The city of Groom has very few vacant units based on the community contact's observation. The Groom Economic Development Corporation provides a \$2,500 home buyer credit to new residents to bring additional residents to Groom.

Armstrong and Carson Counties are primarily agricultural communities. Potter and Randall Counties are much more diversified supporting agricultural industries and other industries including trucking, oil and gas, and a large medical community. Amarillo is the largest city in both counties, and it is the county seat of Potter County. Canyon is the county seat of Randall County.

The level of competition for loans and deposits in the AA is strong, especially in Amarillo due to the large number of institutions that operate there. Amarillo National Bank's deposits represent over 45 percent of the market share, compared to SNBG which holds 0.64 percent of the market share. In addition to the many commercial banks, there are numerous credit unions and finance companies operating within the counties. This makes it more difficult for SNBG to be a major source for lending in the area, but they have been able to meet the needs of a number of their customers who live, work, or own businesses in the Potter-Randall County area. Management continues to grow the bank's loan volume in both locations with small commercial and agricultural loans.

We interviewed an individual in the community for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that the local economy is primarily driven by farming and ranching industries. The contact also stated that local financial institutions are satisfactorily trying to meet the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate SNBG's lending performance, we reviewed a sample of 53 loans. Primary loan products offered by the bank were sampled. The sample consisted of 26 farm purpose loans and 27 commercial purpose loans. Based on the analysis, and consistent with available resources and capabilities, SNBG is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

SNBG's quarterly average loan-to-deposit ratio is more than reasonable given the size and locations of bank offices. The bank's average loan-to-deposit ratio of 77.59 percent is above or significantly above other similarly situated banks as detailed in the following table. Please note no ranking is intended or implied.

Loan to Deposit Ratio		
Institution	Total Assets \$ (000's) (As of 6/30/12)	Average Loan-to Deposit Ratio (%)
Bank of Commerce	26,715	50.03
Citizens Bank	64,118	62.68
First Bank and Trust of Memphis	117,103	76.89
Memphis State Bank	35,744	26.63
The State National Bank of Groom	36,449	77.59

Source: Institution Reports of Condition from September 2007 to June 2012

Lending in Assessment Area

A substantial majority of the loans sampled were to borrowers within the AA. In order to assess performance for this criteria, we reviewed 26 farm loans and 27 business loans originated between August 2007 and December 2010. Our analysis determined that 86.80 percent of the number of loans and 90.95 percent of the dollar volume of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$(000s)	%	
Farm Loans	20	76.92	6	23.08	26	2,727	90.78	277	9.22	3,004
Commercial	26	96.30	1	3.70	27	1,645	91.24	158	8.76	1,803
Totals	46	86.80	7	13.20	53	4,372	90.95	435	9.05	4,807

Source: Loan Sample

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

SNBG's loan portfolio reflects a reasonable distribution among farms and businesses of different sizes within the AA. To perform our analysis, we reviewed income information of 20 farms and 26 businesses within the AA.

Farm Loans – Based on 2011 Business Demographic Data, there are 1,132 farms within the bank's AA. Of this number, 96.82 percent reported revenues less than or equal to \$1 million. Of the loans in the farm purpose sample, 75.00 percent were to farms reporting annual revenues below \$1 million. This level is lower than the level of small farms in the AA by number of loans and dollar volume of loans. The level is considered reasonable given local banking competition and the bank's performance context. The following table reflects the results of our selected sample of farm loans originated in the AA.

Borrower Distribution of Loans to Farms in AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96.82	1.41	1.77	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	65.76	34.24	0.00	100%

Source: Loan sample; Dunn and Bradstreet data

Business Loans – Our analysis reflects a reasonable dispersion of business loans throughout the AA. Based on 2011 Business Demographic Data, there are 25,823 non-farm businesses within the bank’s AA. Of this number, 68.12 percent reported revenues less than or equal to \$1 million. Of the loans in the business purpose sample, 84.62 percent by number and 54.27 percent by dollar volume were to businesses reporting annual revenues below \$1 million. This level exceeds the level of small businesses in the AA by number, but is somewhat lower than the level of small businesses by dollar volume. The following table reflects the results of our selected sample of farm loans originated in the AA.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.12	2.36	29.52	100%
% of Bank Loans in AA by #	84.62	15.38	0.00	100%
% of Bank Loans in AA by \$	54.27	45.73	0.00	100%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

SNBG’s geographic distribution of loans within the AA is reasonable given the bank’s business strategy and locations. We reviewed samples of both farm and business loans to determine the bank’s performance for lending across different geographies as defined by the census data.

Farm Loans – The bank’s performance in low- and moderate-income tracts is reasonable. Our sampled farm loans included one agricultural purpose loan in a moderate-income census tract and none in low-income tracts. This is primarily because there were very few farms in low- or moderate-income tracts based on the demographic information we obtained. The majority of low- or moderate-income tracts are located inside cities where farms are not usually located. The following table summarizes the distribution of farm loans by census tract income level.

Geographic Distribution of Loans to Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	5.04	0.00	6.45	5.00	55.21	95.00	33.30	0.00

Source: Loan sample; Dunn and Bradstreet data

Business Loans – The bank’s overall performance in the AA is reasonable. The geographic distribution of sampled business loans in low-income census tracts exceeds the ratio of businesses located in low-income tracts. In the AA, 8.49 percent of businesses are located in low-income tracts, and our sample reflected 11.54 percent of business loans in low-income tracts. The distribution of sampled business loans in moderate-income tracts is significantly lower than the number of businesses located in moderate-income tracts. The following table summarizes the distribution of business loans by census tract income level.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	8.49	11.54	21.04	7.69	40.55	65.38	29.92	15.39

Source: Loan sample; Dunn and Bradstreet data

Responses to Complaints

No complaints relating to CRA performance have been received by SNBG during the evaluation period, and this has a neutral impact on the bank’s performance.

Fair Lending or Other Illegal Credit Practices Review

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