



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 19, 2012

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

The Yoakum National Bank  
Charter Number 8694

301 W. Grand Avenue  
Yoakum, TX 77995

Office of the Comptroller of the Currency

San Antonio South Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**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 Outstanding**

Yoakum National Bank (YNB) demonstrated outstanding lending performance in its efforts to meet the credit needs of its community, including low- and moderate-income individuals and geographies within its assessment area (AA). Factors supporting the overall rating include:

- The average quarterly loan-to-deposit ratio of 48 percent is more than reasonable given the asset size and overall financial condition of YNB. The loan-to-deposit ratio exceeds the average loan-to-deposit ratio of similarly situated financial institutions in the AA.
- A substantial majority of loans originated within the AA. Our sample reflected that 93 percent of the number and 94 percent of the dollar volume originated within the AA.
- The distribution of borrowers reflects strong penetration among individuals of different income levels and businesses and farms of different sizes.
- Excellent responsiveness to community development needs of the AA.

## **SCOPE OF EXAMINATION**

We evaluated YNB using the Small Bank Community Reinvestment Bank examination procedures and at management's request, we evaluated qualified investments and community development services.

The evaluation period covered loans that originated after the last Performance Evaluation date of February 27, 2007 through December 31, 2011. We evaluated investments and community development services through November 19, 2012. The YNB loan portfolio reflected almost equal distribution among its four primary loan products. As such, the sample included twenty residential loans, twenty commercial/business loans, twenty farm loans, and twenty consumer loans randomly selected from loan reports that segregated loans by collateral type.

We used all eighty loans to calculate the percentage of loans that originated inside the assessment area. We used the same samples, replacing out of area loans with loans originating inside the assessment area, to analyze for borrower income and business revenue distribution.

## **DESCRIPTION OF INSTITUTION**

YNB, an independent community bank, is a wholly owned subsidiary of Yoakum National Bancshares, Inc., a one-bank holding company. At September 30, 2012, YNB had total assets of \$185 million and one main office. YNB's business strategy is to continue providing high-quality financial services that meet the needs of the communities, the businesses and the customers served.

Yoakum is located centrally between Austin, Corpus Christi, Houston, and San Antonio. State Highway 77A serves as the major corridor traveling north and south and State Highway 111 connects the city to State Highway 183 and State Highway 77 traveling east and west.

Competition comes from the state bank located in Yoakum, as well as several other community bank branches and regional bank branches located in the assessment area. Based on June 30, 2012 deposits reported to the Federal Deposit Insurance Corporation, YNB ranks fourth out of eleven financial institutions with a deposit market share of 12 percent. The top three financial institutions each had a deposit market share of 14 percent. YNB offers a range of loan and deposit products and services to its retail and commercial customers. The following table reflects a detailed breakdown of the YNB loan portfolio at September 30, 2012.

<b>Loan Category</b>	<b>\$ (000's)</b>	<b>Percentage</b>
Residential Real Estate Loans	21,672	38.96
Agricultural Loans	10,979	19.74
Consumer Loans	10,763	19.35
Commercial Real Estate Loans	6,774	12.18
Commercial Loans	5,072	9.12
Multifamily Loans	364	0.65
<b>Total</b>	<b>\$55,624</b>	<b>100.00%</b>

*Source: September 30, 2012 Call Report*

YNB provides lobby and drive-through services during reasonable hours from Monday through Friday. Two automated teller machines are located conveniently in the city of Yoakum. They allow customers to obtain cash, request account balance information, and transfer funds between accounts. YNB also offers 24-hour telephone banking services. No legal impediments or other factors hinder the ability of YNB to provide credit in its AA. At the last CRA examination, February 27, 2007, we assigned an "Outstanding" rating. Based on its financial condition, the local economy, product offerings, competition, and prior performance, YNB has the ability to meet credit needs in its community.

## **DESCRIPTION OF ASSESSMENT AREA**

YNB designated Dewitt County and Lavaca County as its AA. The AA includes the cities and communities of Yoakum, Cuero, Shiner, and Hallettsville. It includes 11 census tracts with ten tracts designated middle-income and one tract designated moderate-income. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Major employers in the city of Yoakum include a meat packing plant, the school district, and health care services, including the community hospital. The local economy is stable.

To gather current information on the nature of the community and potential lending opportunities within the AA, we contacted a local government official during this examination. The contact indicated that affordable housing and bringing jobs into the area were needs in the community. The contact indicated that generally the local financial institutions were meeting the financial needs of the community.

The following table reflects pertinent demographic information about the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	10,574
Number of Households	14,894
Number of Owner Occupied Household Units and Percentage of Total Household Units	11,536 63
<i>Geographies</i>	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	9
% Middle-Income Census Tracts/BNA	91
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
2000 Weighted Average of Census MFI	\$ 36,380
2007 Weighted Average of HUD Updated MFI	\$ 41,800
2008 Weighted Average of HUD Updated MFI	\$ 43,600
2009 Weighted Average of HUD Updated MFI	\$ 45,600
2010 Weighted Average of HUD Updated MFI	\$ 46,500
2011 Weighted Average of HUD Updated MFI	\$ 48,600
<i>Economic Indicators</i>	
2011 Unemployment Rate	2.30
2000 Census Median Housing Value	\$ 56,169
% Of Households Below Poverty Level	17

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

YNB demonstrated strong performance in meeting the credit needs of its assessment area. We base our conclusion on the following factors:

### Loan-to-Deposit Ratio

YNB's average loan-to-deposit (LTD) ratio over the past 24 quarters is more than reasonable. The following table compares the YNB ratio to the ratios of other financial institutions located in YNB's assessment area. Neither of the two state savings banks is similar to YNB, as TrustTexas Bank has five locations and Lone Star Bank has six locations.

First State Bank of Yoakum provides the strongest local competition since it is located across the street from YNB; however, it has two locations. Compared to the two financial institutions in the assessment area with only one location, First National Bank of Shiner and Peoples State Bank of Hallettsville, the YNB average LTD ratio substantially exceeds the average LTD ratios for both institutions.

INSTITUTION	TOTAL ASSETS (000'S) 9/30/2012	AVERAGE LTD RATIO
Lone Star Bank, SSB	\$244,001	100.35
TrustTexas Bank, SSB	\$221,094	62.40
First State Bank of Yoakum	\$142,080	51.82
<b><i>Yoakum National Bank</i></b>	<b><i>\$181,009</i></b>	<b><i>47.74</i></b>
First National Bank of Shiner	\$214,710	36.48
Peoples State Bank of Hallettsville	\$222,682	23.47

Source: Uniform Bank Performance Report

## Lending in Assessment Area

YNB originates a substantial majority of loans, 93 percent of the number and 94 percent of the dollar volume, inside its assessment area. We selected a sample of 80 loans that included 20 residential loans, 20 commercial/business loans, 20 farm loans, and 20 consumer loans to calculate the percentage of loans that originated inside the assessment area. The following table reflects the distribution of loans, by number, by dollar volume, and by loan type, originated inside and outside the assessment area.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	17	85	3	15	20	1,206,737	94	77,025	6	1,283,762
Small Business	20	100	0	0	20	535,081	100	0	0	535,081
Consumer	19	95	1	5	20	173,158	87	25,000	13	198,158
Small Farm	18	90	2	10	20	289,977	87	45,000	13	334,977
Totals	74	93	6	7	80	2,204,953	94	147,025	6	2,351,978

Source: Loan sample

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

YNB demonstrated excellent penetration to borrowers of different incomes and to businesses and farms of different sizes. To analyze borrower distribution, we used the same samples from the inside/outside assessment area calculation, replacing out of area loans with loans originating inside the assessment area.

YNB routinely obtains income information on residential loan applications and we used that information to determine distribution. The overall distribution of residential loans by borrower income is good. While the percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA, the percentage of loans to moderate-income borrowers is significantly higher than the percentage of moderate-income families in the AA. The level of households (17 percent) below the poverty level, along with the HUD Adjusted Median Family Income of \$48,600 for 2011 and a median sales price of \$125 thousand for a home in 2011 might make it difficult for families designated low- or moderate-income to purchase a home.

<b>Borrower Distribution: Residential Real Estate Loans</b>								
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
Residential	22	5	18	35	21	30	39	30

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

YNB demonstrated excellent penetration for loans to small businesses. We used the loan amount as proxy for revenue for some business loans if updated financial information was not available. We found that YNB does not routinely require updated financial information for business loans that are performing.

<b>Borrower Distribution: Loans to Small Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71	2	27	100
% of Bank Loans in AA by #	95	5	0	100
% of Bank Loans in AA by \$	77	23	0	100

Source: Loan sample; Dunn and Bradstreet data.

YNB demonstrated excellent penetration for loans to small farms. We used the loan amount as proxy for revenue for some farm loans if updated financial information was not available. We found that YNB does not routinely require updated financial information for farm loans that are performing.

<b>Borrower Distribution: Loans to Small Farms</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	99	0	<1	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: Loan sample; Dunn and Bradstreet data.

YNB demonstrated excellent penetration to borrowers with low- and moderate-income levels. We used the loan amount as proxy for income for some consumer loans if updated financial information was not available. We found that YNB does not routinely require updated financial information for consumer loans that are performing.

<b>Borrower Distribution: Consumer Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	26	95	16	0	19	0	39	5

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

### Geographic Distribution of Loans

The YNB assessment area includes 11 census tracts; one designated moderate-income and ten designated middle-income. The moderate-income census tract is located on the perimeter of the assessment area near the city of Cuero. Several financial institutions, including branches of large, multinational banks are located in Cuero, so it is reasonable that YNB would originate a limited number of loans in this census tract. Since there are no low-income census tracts and only one moderate-income census tract in the assessment area, a geographic distribution analysis

would not be meaningful; however, based on our sample, we determined YNB originates loans throughout its assessment area, including the moderate-income census tract.

### **Qualified Investments and CD Services (Optional)**

YNB demonstrated excellent responsiveness to community development (CD) needs in its assessment area through CD investments and services. YNB purchased qualified investments totaling \$625,000 inside its assessment area. While the investments are not innovative or complex, the investments helped two school districts construct, renovate, and equip school buildings and helped the Yoakum Hospital District construct its facility. The school districts and the hospital are located in distressed and underserved middle-income census tracts.

In addition to the investments inside its assessment area, YNB also made qualified investments totaling \$1.7 million in three surrounding communities. The investments helped renovate schools (Goliad ISD), update water and sewer infrastructure (Luling), and street improvements (Victoria). Goliad, Luling, and parts of Victoria are located in distressed and underserved middle-income census tracts.

YNB provided a satisfactory amount of CD services in its assessment area during the evaluation period. Activities reflect continued commitment to the assessment area. YNB provides financial literacy information to elementary and high school students that calls for bank officers to discuss financial issues, such as types of bank accounts, loans, and other bank services. The bank mascot, Money Mouse, visits the elementary schools to discuss savings accounts and the benefits of saving. In 2013, YNB will expand its CD services and partner with the Independent Bankers Association of Texas (IBAT) in the Teach the Teacher Program on Financial Literacy.

### **Responses to Complaints**

Yoakum NB did not receive any complaints related to its CRA performance during the evaluation period.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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