



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 12, 2002

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
5350 South Staples, Suite 405
Corpus Christi, Texas 78411-4654**

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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF YNB ASSESSMENT AREA</u>	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	4

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The lending performance of Yoakum National Bank (YNB) reflects a satisfactory response in its efforts to meet the community credit needs, including those of low- and moderate-income individuals within its assessment area (AA). This rating assessment is supported by the following:

- The loan-to-deposit ratio is reasonable given YNB's size, overall financial condition, and perceived credit needs of the AA. YNB's loan-to-deposit ratio compares favorably with other financial institutions in the AA and has reflected an increase over the past seventeen quarters, with the current moving average of net loans to deposits of 52 percent.
- A majority of the loans originated by YNB are within the AA. Based on our sample, 93 percent of the number of loans and 91 percent of dollar of loans were granted within the AA.
- The distribution of borrowers reflects a satisfactory penetration among individuals of different income levels with a strong penetration among businesses and farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersal throughout the AA.
- There have been no consumer complaints regarding YNB's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

YNB is an independently owned community bank located in Yoakum, Texas. YNB is a wholly owned subsidiary of Yoakum National Bancshares, a one-bank holding company. There have been no changes in the corporate structure since our last evaluation. As of June 30, 2002, YNB had total assets of \$110 million with net loans of \$50 million (represents 45 percent of total assets and 53 percent of total deposits). YNB maintains one primary location with two automated teller machines provided at convenient locations within the city of Yoakum. YNB offers a vast array of products and services that accommodates both commercial (small business and agriculture related) and retail (consumer lending that includes residential, motor vehicle, and household goods/services) segments within the AA.

The previous CRA Performance Evaluation, dated February 2, 1998, reflected a satisfactory rating. There are no legal or other impediments that would limit YNB's ability to meet the community credit needs. The following table depicts YNB's loan portfolio composition as of June 30, 2002.

Loan Composition

Loan Category	\$ (000)	%
Residential Real Estate Loans	20,529	40.79
Consumer Loans	10,788	21.44
Farmland Loans	7,245	14.40
Commercial Loans	6,895	13.70
Agricultural Production	3,260	6.48
Other Loans and Leases	1,610	3.19
Total	50,327	100.00

DESCRIPTION OF YNB ASSESSMENT AREA

YNB has designated all of Dewitt and Lavaca counties as its AA. The AA includes the cities and communities of Cuero, Shiner, Hallettsville, and Moulton. The AA includes eleven block numbering areas (BNAs), ten of which are designated middle income, with the remaining BNA designated as a moderate-income tract. The distribution of families in the AA, by income level, is as follows: low-income 23 percent, moderate-income 17 percent, middle-income 20 percent, and upper-income 41 percent. The level of households below the poverty level is 17 percent. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The population of both counties totaled 37,530 as of the 1990 Census. The current median family income is \$36,100 (2002 adjusted figures). The city of Yoakum has a current population of approximately 5,800, up slightly from the 1990 Census of 5,600. The city of Yoakum's economic base is largely concentrated in leather tanning/processing and health services with the surrounding rural areas closely tied to small business and farming activity.

Contact with a local community organization (economic development) indicated that primary credit needs are equally split between consumer areas (housing and consumer goods/services) and small business/farming activity.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	10,319
Number of Households	14,468
Number of Owner Occupied Household Units / % of Total Household Units	11,107 / 61.31%
Geographies	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	9.09%
% Middle-Income Census Tracts/BNA	90.91%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,281
2002 HUD-Adjusted MFI	\$36,100
Economic Indicators	
Unemployment Rate	2.46%
1990 Median Housing Value	\$39,114
% Of Households Below Poverty Level	24.32%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

YNB has demonstrated satisfactory performance in meeting the credit needs of the AA. Our review focused on YNB's primary lending products, which are residential (home purchase, home improvement, and home equity), small business and agricultural lending (livestock lending and farm land), and general consumer (new/used car loans and other consumer needs). Our sample of these loan products was used to determine both the extent of lending (within the assessment area) as well as the dispersion throughout the demographics of the AA. The loan sample included loans originated by the bank since the previous CRA examination.

Loan-to-Deposit Ratio

YNB's loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance. As shown in the following table, the average LTD ratio over the past seventeen quarters compares favorably with the averages reported by the five other banks located within the AA. There are several other branches of both banks and federal savings institutions located within the assessment area; however, financial information and lending ratios for those institutions are not published.

Loan-to Deposit Ratio

Institution	Assets (as of 06/30/02)	Average LTD Ratio
First National Bank of Shiner	\$79,558	38.43%
First SB of Yoakum	\$84,992	46.41%
Peoples SB of Hallettsville	\$120,552	33.30%
First State Bank of Moulton	\$95,592	89.52%
Cuero State Bank, SSB	\$169,946	58.63%
<i>Yoakum National Bank</i>	<i>\$110,628</i>	<i>51.56%</i>

Lending in Assessment Area

A substantial majority of all loan originations are located within the AA. The following table reflects that in all loan categories sampled, a majority of the loans were made in the AA. This reflects a good record of affording credit in the AA.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	30	96.77%	\$1,463	87.60%	1	3.23%	\$207	12.40%
Small Business	17	85.00%	\$1,664	97.42%	3	15.00%	\$207	2.58%
Consumer	18	90.00%	\$228	97.80%	2	10.00%	\$5	2.20%
Agriculture	20	100.00%	\$1,023	100.00%	0	0.00%	\$0	0.00%
Total Reviewed	85	93.41%	\$4,378	91.27%	6	6.59%	\$419	8.73%

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

Overall, YNB meets the standards for satisfactory performance with a reasonable distribution of loans to individuals of different income levels and to businesses and agriculture activities (farm land and production credit) of different sizes. Our sample of business and agriculture lending noted an overall strong penetration in both segments to those entities with annual revenues less than or equal to \$1 million.

Our analysis of residential lending activity reflected totals that were lower than those reflected in the demographic data as reported in the census reports for both low- and moderate-income families. Households, which fall below the poverty level, represent approximately twenty-five percent of the total households in the AA. The calculated level of income which distinguishes this household segment (less than \$18 thousand in income) clearly inhibits those households from qualifying for residential loan products when consideration is given to the weighted average cost of housing which exceeds \$39 thousand (based on 1990 Census Data information).

Contrary to residential mortgage loans, consumer credit data normally favor low- and moderate-income borrowers since they normally have a greater need for this type of smaller dollar credit. The small gap of two percent between the percentage of the number of consumer loans to either low- and moderate-income borrowers relative to the percentage of families reporting these income levels is indicative of a satisfactory level of performance.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *	88.75%	5.88%
% of Bank Loans in AA #	82.35%	17.65%
% of Bank Loans in AA \$	43.90%	56.10%

BORROWER DISTRIBUTION OF SMALL LOANS FOR AGRICULTURE PURPOSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *	97.90%	1.68%
% of Bank Loans in AA #	100.00%	0.00%
% of Bank Loans in AA \$	100.00%	0.00%

* Does not foot to 100 percent because a number of businesses do not report revenue information.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	22.6%		17.1%		19.8%		40.5%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	6.67%	2.87%	6.67%	5.14%	23.33%	20.02%	63.33%	71.97%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	29.4%		14.8%		16.1%		39.7	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	15.78%	0.98%	26.32%	25.70%	26.32%	22.69%	31.58%	50.63%

Geographic Distribution of Loans

Our analysis of the geographic distribution reflected a reasonable dispersion throughout the AA. As previously noted, there are no low- or upper-income block numbering areas within the AA. While there is one moderate-income tract in the AA, it is situated in the perimeter of the AA. This area is clearly better served by other local financial institutions within the AA that are situated closer to that tract. Additionally, other financial institutions in adjacent counties are closer to that tract than is YNB. Therefore, it is reasonable that the bank has no loans in that moderate-income tract as reflected in the tables that follow.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied ⁴	0.00%		10.5%		89.5%		0.00%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0%	0.0%	0.0%	0.0%	100%	100%	0.0%	0.0%

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ⁵	0.00%		11.7%		88.3%		0.00%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0%	0.0%	0.0%	0.0%	100%	100%	0.0%	0.0%

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses ⁶	0		8.40%		91.60%		0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0%	0.0%	0.0%	0.0%	100%	100	0.0%	0.0%

AGRICULTURE LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses ⁶	0.0%		4.62%		95.38		0.0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0%	0.0%	0.0%	0.0%	100%	100%	0.0%	0.0%

Responses to Complaints

YNB has not received any complaints regarding its CRA performance during this evaluation.

Fair Lending Review

An analysis of 1998 through 2001 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed prior to 1997.