



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 12, 2007

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

**The Yukon National Bank  
Charter Number: 10196**

**401 Elm Street  
Yukon, OK 73099**

**Office of the Comptroller of the Currency**

**Comptroller of the Currency  
Assistant Deputy Comptroller Kyle M. Jones  
Oklahoma City Field Office  
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301 NW 63<sup>rd</sup> Street  
Oklahoma City, Oklahoma 73116**

**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.**

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial majority of loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The distribution of loans to geographies of different income levels meets the standard for satisfactory performance.
- Lending performance is satisfactory given the bank's size, financial condition, and known credit needs in the assessment area.

The Yukon National Bank is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Public Evaluation.

## **SCOPE OF EXAMINATION**

This Performance Evaluation was a full scope review focused primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints. There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. YNB is involved in and provides support to the community's financial needs. The time frame of this evaluation focused on the time since the bank received an overall rating of Satisfactory at the last CRA examination dated August 4, 2003.

To evaluate YNB's lending performance, Home Mortgage Disclosure Act (HMDA) data and a sample of 50 loans were reviewed. Major loan products offered by the bank were randomly sampled and consisted of 25 commercial loans and 25 consumer loans that originated since January 1, 2005. All residential real estate loans reported on the HMDA Loan Application Register since December 31, 2003, were included in the review.

## DESCRIPTION OF THE YUKON NATIONAL BANK

The Yukon National Bank (YNB) is a community bank headquartered in Yukon, Oklahoma. YNB is a subsidiary of International Bancshares of Oklahoma, Incorporated, a one bank holding company, which is also headquartered in Yukon, Oklahoma.

The main bank and a drive-thru facility are located at 401 Elm Street, Yukon, Oklahoma. Branch facilities are located at 3501 North Mustang Road, 1550 South Garth Brooks Boulevard in Yukon, Oklahoma, 218 North Mustang Road in Mustang, Oklahoma, 6201 Northwest 23<sup>rd</sup> in Bethany, Oklahoma, and 12401 North May Avenue, Suite 101 in Oklahoma City, Oklahoma. Automated Teller Machines (ATMs) are accessible at 400 West Main, 1000 West Vandament, 1211 South Cornwell, all in Yukon, and one ATM is located at 1550 North Mustang Road in Mustang. Since the previous Community Reinvestment Act (CRA) examination, several changes have taken place. Two branches located in Bethany and Oklahoma City were added through the merger of the former Peoples Bank in 2006. Also, the new branch was built at 1550 South Garth Brooks in Yukon. No other locations have been opened or closed since the previous CRA examination.

The bank's primary focus is to serve commercial, real estate, and consumer customers in Eastern Canadian and Western Oklahoma Counties. The bank meets customer's needs by providing traditional loan and deposit products. The bank also provides various real estate loan products through the Mortgage Loan Department at the main bank location. The bank also offers 24 hour account access by telephone and Internet Banking with Bill Payment Services.

As of June 30, 2007, the bank's total assets equaled \$216.8 million, of which \$111 million, or 51 percent, were comprised of various types of loans to individuals, commercial businesses, and real estate related enterprises. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	54,797	49%
Residential Real Estate Loans	37,755	34%
Commercial Loans	10,675	10%
Consumer Loans	7,565	7%
<b>Total</b>	<b>110,792</b>	<b>100%</b>

## DESCRIPTION OF THE YUKON NATIONAL BANK ASSESSMENT AREA

The assessment area (AA) adopted by YNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. The AA meets the requirements of the CRA regulation.

YNB's assessment area is identified as all of Canadian and Oklahoma Counties. The assessment area includes the Oklahoma City, Oklahoma Metropolitan Statistical Area. The assessment area includes 247 contiguous census tracts in Central Oklahoma. Of these, 21 tracts are considered low-income, 85 tracts are considered moderate-income, 81 tracts are considered middle-income, and 60 tracts are considered upper-income tracts. The main bank and the 5 branches are all located in either Canadian or Oklahoma County. The following table describes the major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b>	
<i>Population</i>	
Number of Families	196,364
Number of Households	298,546
<i>Geographies</i>	
Number of Census Tracts/BNA	247
% Low-Income Census Tracts/BNA	9%
% Moderate-Income Census Tracts/BNA	34%
% Middle-Income Census Tracts/BNA	33%
% Upper-Income Census Tracts/BNA	24%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$46,866
2006 HUD-Adjusted MFI	\$53,900
<i>Economic Indicators</i>	
2000 Median Housing Value	\$78,122
% of Households Below Poverty Level	13%

The total population of the assessment area is 748,145 persons. Although there are only 21 low-income census tracts in the assessment area, there are many low- and moderate-income families in the assessment area. Of the 196,364 families, 21 percent are low-income families and 18 percent are moderate-income families. Of the 298,546 households, 13 percent are below the poverty level. The median housing value is \$78,122, with the median age of housing stock at 39 years.

Local economic conditions are good. The economy of Oklahoma City and the surrounding area is diversified with a portion being dependent on consumer goods and service businesses and the military. However, over the past several years the economy has become less dependent on military operations and more dependent on the oil and gas industry. The housing market has been expanding and overflowing into the towns surrounding Oklahoma City. The major employers in the area consist of Tinker Air Force Base, Oklahoma State Government, Oklahoma City, Yukon, Mustang, Putnam City, and Bethany Public Schools, Wal-Mart, and recently, commercial and residential construction.

YNB faces strong competition from the 56 other national and state chartered banks and many branches of other banks and financial institutions. Also, there continues to be growing competition from nontraditional financial institutions such as insurance and stock brokers.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The main financial need in the area is for residential real estate loans and other loans to support the increasing population. YNB is involved in community development activities and programs in the area.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This Performance Evaluation evaluated YNB's lending performance using Home Mortgage Disclosure Act (HMDA) data and a sample of 50 loans. All residential real estate loans reported on the HMDA Loan Application Register since December 31, 2003, were included in the review. The loan sample consisted of 25 commercial loans and 25 consumer loans that originated since January 1, 2005. Based on the analysis and consistent with available resources and capabilities, YNB is meeting the credit needs of the assessment area in a satisfactory manner.

### ***Loan-to-Deposit Ratio (LTD)***

YNB's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The average quarterly LTD ratio from June 30, 2003 through June 30, 2007, is 60 percent. YNB's LTD is lower than some of the area banks due to other lending related activities such as secondary market participation and large volumes of public funds. The average quarterly LTD ratio of the 56 banks chartered in the counties in and surrounding YNB's assessment area is 73 percent. The LTD ratios range from a low of 24 percent to a high of 113 percent. The quarterly average LTD ratios for the four similarly situated banks in the area are listed in the table below.

Institution	Assets as of 6/30/2007 \$ (000)	Average LTD Ratio
Canadian State Bank	116,652	86%
All America Bank	153,378	74%
F&M Bank, National Association	77,047	68%
First Bethany Bank & Trust	123,780	62%
<b>The Yukon National Bank</b>	<b>216,793</b>	<b>60%</b>

### *Lending in Assessment Area*

YNB's lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of the number and dollar volume of loans sampled originated in the bank's assessment area. This conclusion is based on the HMDA data and the samples of 25 consumer loans and 25 business loans described above and are depicted in following table.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Real Estate	424	87%	64	13%	488	24,539	83%	4,862	17%	29,401
Consumer	21	84%	4	16%	25	284	79%	73	21%	357
Business	21	84%	4	16%	25	15,389	90%	1,713	10%	17,102
Totals	46	87%	72	13%	538	40,212	86%	6,648	14%	46,860

Source: HMDA reportable loans since December 31, 2003, and a sample of 50 loans to determine CRA performance.

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

YNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent the distribution of lending based on the sample of 21 business loans and 21 consumer loans and the HMDA loans extended within the assessment area.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62%	6%	32%	100%
% of Bank Loans in AA by #	81%	19%	0	100%
% of Bank Loans in AA by \$	57%	42%	0	100%

Source: U.S. Census data and sample of 21 business loans located in the Assessment Area.

YNB's loan distribution to businesses meets the standard. The sample of business loans revealed that a majority of the loans were extended to small businesses with annual gross revenues of less than \$1 million per year. The table also reflects that a large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	21%	14%	18%	14%	21%	26%	40%	42%

Source: U.S. Census data and HMDA loans. Income information was not available for 4% of the loan sample.

YNB's distribution of residential real estate loans to borrowers of different income levels is satisfactory. The number of real estate loans extended to low- and moderate-income borrowers approximates the percentage of low- and moderate-income families represented in the assessment area.

<b>Borrower Distribution of Consumer Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% 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	4%	24%	33%	5%	34%	28%	29%	43%

Source: U.S. Census data and sample of 21 consumer loans located in the Assessment Area.

YNB's distribution of consumer loans to borrowers of different income levels is satisfactory. The number of consumer loans extended to low- and moderate-income borrowers approximates the percentage of low- and moderate-income households represented in the assessment area.

### ***Geographic Distribution of Loans***

The distribution of business loans, consumer, and residential real estate loans to geographies of different income levels meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of business loans, consumer loans, and HMDA residential real estate loans extended within the assessment area.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Commercial Loans	9%	0%	34%	10%	33%	55%	24%	35%

Source: U.S. Census data and business loan sample.

The number of business loans extended in the moderate-income census tracts is lower than the number of businesses in those tracts. The lack of loans in the low-income and moderate income tracts can be attributed to the following. There are 21 low-income and 85 moderate-income census tracts out of the 247 census tracts located within the assessment area. Most of these census tracts are located several miles from YNB's offices in Oklahoma County. All these census tracts are served by multiple financial institutions.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	3%	2%	25%	13%	36%	42%	36%	43%

Source: U.S. Census data and HMDA reportable loans.

The number of real estate loans extended to the low- and moderate-income census tracts compares reasonably to the owner occupied housing in those tracts. This distribution occurred despite the fact that most of the low-income and moderate-income census tracts are located several miles from YNB's offices in Oklahoma County.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate Loans	4%	0%	33%	11%	34%	47%	29%	42%

Source: U.S. Census data and consumer loan sample.

The number of consumer loans extended in the moderate-income census tracts is lower than the number of businesses in those tracts. The lack of loans in the low-income and moderate income tracts can be attributed to the following. Most of the low-income and moderate-income census tracts

are located several miles from YNB's offices in Oklahoma County. All these census tracts are served by multiple financial institutions.

### ***Responses to Complaints***

YNB has not received any complaints about their performance in helping to meet assessment area needs during this evaluation period.

## **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.