



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Yakima National Bank
Charter Number 23224**

**601 West Walnut Avenue
Yakima, Washington 98902**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 Community Reinvestment Act (CRA) performance of **Yakima National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 1, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Yakima National Bank meets the rating definition of satisfactory because of:

- a reasonable distribution of loans to small farms, small businesses, and people of different income levels;
- a majority of the loans are made within the assessment area;
- a satisfactory loan-to-deposit ratio of 54 percent; and
- a reasonable geographic distribution of loans within the assessment area.

The following table indicates the performance level of **Yakima National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Yakima National Bank's 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 received since the bank opened August 1997.		

DESCRIPTION OF INSTITUTION:

Yakima National Bank is located in Yakima, Washington. The bank's only office opened August 4, 1997. The city of Yakima's population is approximately 70 thousand, while the county population is approximately 210 thousand. The economic base consists of agriculture, local government and retail/services. As of December 31, 1998, the bank had total assets of \$19 million and net loans of \$13 million. Yakima National Bank's stock is widely held throughout the local community with no one major investor. The bank did not face any financial or legal impediments which would inhibit its ability to meet the credit needs of the assessment area. This is the bank's first CRA examination.

Yakima National Bank's focus is small business lending. However, they do offer a full range of credit products including commercial and commercial real estate loans, residential real estate loans, consumer loans, and agriculture loans. As of December 31, 1998, the bank's loan portfolio was distributed as follows (as a percent of total dollars outstanding); commercial and commercial real estate loans - 64 percent, real estate loans - 15 percent, consumer loans - 11 percent, and agriculture loans - 10 percent.

DESCRIPTION OF ASSESSMENT AREA:

Yakima National Bank's assessment area (AA) consists of twenty three adjoining census tracts in the Yakima Metropolitan Statistical Area (MSA). The AA is located within Yakima County. The AA includes one low income census tract and seven moderate income tracts. The make up of the low income tract is primarily businesses. Yakima National Bank is located within this tract. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies.

The 1998 Yakima MSA median family income (MFI) is \$36,800, based on annual updated figures provided by the U.S. Department of Housing and Urban Development. The following chart summarizes the population and income categories of the geographies in the AA.

Family Information by Income Level			
Number of Census Tracts	Income Designation	Total Families	Percent of Families in Census Tract to Total Families
1	Low (< \$18,400)	346	1
7	Moderate (\$18,401 to \$29,440)	8,667	26
8	Middle (\$29,441 to \$44,160)	11,246	33
7	Upper (>\$44,161)	13,391	40
23	TOTALS	33,650	100%

The current economic condition of the assessment area is good. The population base is stable with 127.7 thousand people living in the assessment area. Approximately 16 percent of the households in the assessment area are below poverty level. Owner occupied housing totals 59 percent with a median housing value of \$57 thousand based on 1990 US Census information. Yakima National Bank management indicates the current median housing value is slightly over \$100 thousand dollars. Major employers include the school district, hospitals and local city and county government. Yakima National Bank faces strong competition for banking services within its assessment area. There are two other locally owned banks, branches of regional banks, credit unions, savings and loans and thrift institutions.

We interviewed one city government official and an economic development organization to obtain insight regarding local community credit needs. The officials stated Yakima has a stable economic base. Affordable housing is identified as a credit need for the community. Although housing credit is provided by the financial institutions, there are some obstacles to meeting these needs. Primarily, the obstacles are English being spoken as a second language and limited institutions with bilingual employees, and cultural differences resulting in individuals being intimidated by a banking environment. Small business credit needs are also met. They indicated there is a large variety of financial products offered by numerous financial institutions. Both individuals stated the financial institutions are generally meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Yakima National Bank meets the standards for satisfactory performance in this area. Yakima National Bank's average loan-to-deposit ratio was 54 percent for the five quarters the bank has been open, ending September 30, 1998. This is slightly below the eight quarter average of 67 percent for five similarly sized banks located in Washington. However, Yakima National Bank's loan-to-deposit ratio has increased 196 percent since they opened. On September 30, 1998, the bank's loan-to-deposit ratio increased to 75 percent, above the average.

Lending in the Assessment Area

The majority of loans made by the bank were located within its assessment area. Based on our analysis of all loans originated since the bank opened in August 1997, we found 86 percent were in the assessment area. Our analysis is based on a bank generated report sorted by census tract and loan type. We used this report for all of the various analyses. The report's accuracy was verified by sampling 5 percent of the 397 notes originated.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's record of lending to borrowers of different income levels and to businesses of different sizes is satisfactory. We used the bank generated report of loans by census tract and loan type for the information. The report did not have income information for all loans. However, we did identify 83 consumer loans and 20 real estate loans with income information. This provided a sufficient sample to provide a conclusion. Although lending to low- and moderate-income individuals is less than the demographics, it is reasonable given the small business lending focus of the bank. The table below reflects the sample results.

Loan Distribution in the Assessment Area by Family Income Level			
Income Level (% of median family income)	Percent of consumer loan originations (Sample)	Percent of real estate loan originations (Sample)	Percent of families in the assessment area (Demographics)
Low (<\$18,400)	8%	5%	19%
Moderate (\$18,401 to \$29,440)	11%	0%	17%
Middle (\$29,441 to \$44,160)	13%	30%	20%
Upper (>\$44,161)	65%	65%	44%
Total	100%	100%	100%

Yakima National Bank has a good record of making loans to small businesses and farms. Using the bank generated report by census tract and loan type we identified 150 loans to businesses and farms with income information. The bank made 86 percent of these loans to small businesses and farms with annual revenues under \$1 million. The table below summarizes the information:

Lending to Small Businesses and Farms		
Revenues	Number of loans with income information	Percentage of total
<\$250M	82	54%
\$250M to \$500M	22	15%
\$500M to \$1MM	25	17%
over \$1MM	21	14%
Total	150	100%

Geographic Distribution of Loans

The bank has a satisfactory geographic distribution of loans within the assessment area. Since the bank opened in August 1998, the bank originated \$13,619M in loans in the AA. The following chart compares the loans originated by census tracts to the percent of families located in the same census tracts. We used the bank generated report of loans originated by census tract and loan type to provide the information.

Geographic Distribution of Loan Originations			
Census Tracts	Percentage of loan originations by number	Percentage of loan originations by dollar volume	Percent of families in Census Tracts
Low Income	9%	10%	1%
Moderate Income	15%	22%	26%
Middle	40%	44%	33%
Upper	36%	24%	40%
Total	100%	100%	100%

Record of Complaints and Compliance with Antidiscrimination Laws

The bank did not receive any complaints relating to CRA performance since the last CRA evaluation. Concurrent to this examination, we conducted a review of Yakima National Bank's compliance with the substantive provisions of anti-discrimination laws and regulations. We did not find any violations.