



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**January 05, 2007**

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

**First National Bank of Lake Jackson  
Charter Number 15171**

**122 West Way  
Lake Jackson, TX 77566**

**Comptroller of the Currency  
Houston  
1301 McKinney Street, Suite 3410  
Houston, TX 77010**

**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.**

First National Bank of Lake Jackson (FNB) has a satisfactory record of meeting credit needs within the community. The following supports this rating:

- A substantial majority of loans are in the bank's assessment area (AA).
- The level of lending to borrowers of different incomes and businesses of different sizes exceeds the characteristics of the AA.
- The geographic distribution of loans exceeds the characteristics of the AA.

## **DESCRIPTION OF INSTITUTION**

FNB is an independently owned institution located in Lake Jackson, Texas with a main office at 122 West Way in Lake Jackson and a branch at 100 East Highway 332 in Brazoria, Texas. Both locations have a drive-up facility and an ATM. At September 30, 2006, total assets were \$161 million. The primary loan products are business loans comprising 41 percent of the loan portfolio, consumer loans at 12 percent, and residential real estate loans at 12 percent. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. FNB was rated "satisfactory" at the last Community Reinvestment Act (CRA) examination dated March 25, 2002.

*Please refer to FNB's CRA Public File for more information about the institution.*

## **DESCRIPTION OF BRAZORIA COUNTY**

Brazoria County has approximately 242 thousand residents and covers 1,422 square miles. Chamber of Commerce information predicts a population increase of 100 thousand in the next ten to fifteen years. Petrochemical industries are the mainstay of the economy, but Port Freeport is also a significant contributor to the economy. Freeport is the second largest container port on the Texas Gulf Coast. Major employers include Dow Chemical Company with approximately 4.6 thousand employees, Texas Department of Justice with 2.4 thousand, and Infinity Group with 2.4 thousand employees. In addition, the county has seven independent school districts (ISDs) with a total of 7 thousand employees. Brazosport, Pearland, and Alvin ISDs are the largest.

The county has 44 miles of beaches, including 27 miles accessible by vehicle. Local beaches include Bryan Beach State Recreation Area, Follet's Island Beach, Quintana Beach Park, San Luis County Park, and several beaches in Surfside. Lake Jackson and FNB are in the Brazosport area. It is in the southern part of the county, includes eight cities, and has a population of about 70 thousand. In addition to Lake Jackson, Brazosport includes Clute, Freeport, Jones Creek, Oyster Creek, Quintana, Richwood, and Surfside Beach. Of the Brazosport total estimated population of 59 thousand, Lake Jackson is the largest city with a population of approximately

27 thousand according to Chamber of Commerce information.

The county has 61 thousand owner-occupied single-family housing units and 21 thousand rental units. The median value of a single family residence is \$81 thousand. The county does not have any low-income census tracts. It has seven moderate-income census tracts (CTs), 26 middle-income CTs, and 12 upper-income CTs. The recent unemployment rate was 2.5 percent, and 10 percent of the population was below the poverty level. The updated median family income was \$60,900 in 2006.

We reviewed contacts completed during the evaluation of other area banks and have contacted a local small business development center during another CRA examination. The contact did not identify any significant credit needs not being met and spoke favorably of the involvement of local banks.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (ltd) ratio is below average. As of September 30, 2006, the ratio was 18 percent, and it has averaged 15 percent since the prior examination. FNB is the depository institution for the county and several local public entities. It has a significant level of public funds not available for lending. In addition, the bank has a few customers with large deposits. After adjusting for these, the ltd is estimated to be 39 percent which is more in line with similarly situated banks in the area. FNB has a smaller number of deposit account customers than its competitors further limiting the opportunities to originate loans. Brazoria County has a significant number of competing financial institutions including national and state community banks, branches of large regional banks, and local credit unions. Information on local financial institutions shows twenty-five institutions or branches of larger institutions located in the Brazosport area.

A peer group average of five banks in Brazoria County was 46 percent for the nineteen quarters since the prior examination. For the quarter end September 30, 2006, the ratio among the peer group ranged from a low of 28 percent to a high of 58 percent.

### **Lending in Assessment Area**

The bank exceeds the standards for satisfactory performance. A substantial majority of loans by number and dollar have been originated within the AA.

We reviewed all 1-4 family residential loans originated in 2004, 2005, and 2006, a total of 13 loans. We also reviewed all business loans originated and not paid off in 2004, 2005, 2006, and year-to-date 2007, a total of 61 loans. For consumer loans, we selected a sample of 25 consumer loans. Our review showed that 95 percent by number and 93 percent by dollar of the bank's loans were originated within the AA. The details of our review are in the following table:

<b>Table 1 - Lending in Brazoria County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
1 – 4 Family RE	12	92.31	1	7.69	13	926,000	94.97	49,000	5.03	975,000
Commercial	59	96.72	2	3.28	61	7,163,756	93.01	538,733	6.99	7,702,489
Consumer	24	96.00	1	4.00	25	187,292	78.93	50,000	21.07	237,292
Totals	95	95.96	4	4.04	99	8,277,048	92.85	637,733	7.15	8,914,781

Source: data reported under HMDA, sample of loans.

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

The distribution of residential loans by borrower income is excellent. Lending to low- and moderate-income borrowers exceeds the characteristics of the AA. The details of our review are in the following table:

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in Brazoria County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
1 – 4 Family	18.80	27.28	16.45	18.18	21.02	22.27	43.72	27.27

Source: data reported under HMDA; U.S. Census data.

The borrower distribution in 2004 of loans to businesses by number exceeds the characteristics of the AA and is excellent. By dollar, the percentage of loans is close to the characteristics of the AA and is good. The details of our review are in the following table:

<b>Table 2B- Borrower Distribution of Loans to Businesses in Brazoria County (2004)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.07	3.98	29.95	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	64.85	35.15	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The borrower distribution in 2005, 2006, and year-to-date 2007 of loans to businesses by number exceeds the characteristics of the AA and is excellent. By dollar, the percentage of loans is somewhat lower than the characteristics of the AA, but it is still adequate. Overall, lending to businesses in 2005, 2006, and year-to-date 2007 is good. The details of our review are in the following table:

<b>Table 2C – Borrower Distribution of Loans to Businesses in Brazoria County (2005 to Year-to-Date 2007)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.65	3.77	30.58	100%
% of Bank Loans in AA by #	78.73	14.89	6.38	100%
% of Bank Loans in AA by \$	40.55	57.25	2.20	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans by borrower income is excellent. The percentage of loans originated to low-income borrowers far exceeds the percentage of households categorized as such in the AA. Also, the percentage of loans originated to moderate-income borrowers exceeds the percentage of households. The details of our review are in the following table:

<b>Table 2D - Borrower Distribution of Consumer Loans in Brazoria County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer	22.87	54.17	16.88	20.83	19.42	12.50	40.83	12.50

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

### Geographic Distribution of Loans

The geographic distribution of residential real estate loans exceeds the characteristics of the AA. Brazoria County does not have any low-income census tracts. Lending in moderate-income census tracts is excellent and exceeds the characteristics of the AA. The details of our review are in the following table:

<b>Table 3A – Geographic Distribution of Residential Real Estate Loans in Brazoria County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
1 – 4 Family	0.00	0.00	10.10	16.67	53.37	83.33	36.53	0.00

Source: data reported under HMDA; U.S. Census data.

The geographic distribution of business loans is excellent and far exceeds the characteristics of the AA in 2004. Half of the loans originated to businesses in 2004 were originated in moderate-income census tracts. The details of our review are in the following table:

<b>Table 3B - Geographic Distribution of Loans to Businesses in Brazoria County(2004)</b>								
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
Commercial	0.00	0.00	13.58	50.00	52.71	50.00	33.71	0.00

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

The geographic distribution of business loans in 2005, 2006, and year-to-date 2007 is excellent and far exceeds the characteristics of the AA. The details of our review are in the following table:

<b>Table 3C – Geographic Distribution of Loans to Businesses in Brazoria County (2005 to Year-to-Date 2007)</b>								
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
Commercial	0.00	0.00	12.65	42.55	52.48	51.06	34.87	6.39

Source: Indicate source, i.e., loan sample or data collected by bank; U.S. Census data.

The geographic distribution of consumer loans is excellent and exceeds the characteristics of the AA. The details of our review are in the following table:

<b>Table 3D - Geographic Distribution of Consumer Loans in Brazoria County</b>								
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
Consumer	0.00	0.00	13.28	25.00	52.87	54.17	33.85	20.83

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

### Community Development Loans

FNB originates a reasonable level of community development loans and has originated loans to local nonprofit organizations to help meet their needs. These organizations serve low- and moderate-income individuals in the AA.

### **Responses to Complaints**

FNB did not receive any CRA related complaints during the 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.