



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 29, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lakeside National Bank
Charter Number 16357**

**2805 Ridge Road
Rockwall, TX 75087**

**Comptroller of the Currency
ADC Donald S. Smith - Dallas South
500 North Akard Street Suite 1600
Dallas, TX 75201**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The bank's loan originations meets the standards for satisfactory performance. Of the loan originations sampled, 81% fall within the bank's assessment area.
- The bank's lending to businesses of different sizes exceeds the standards for satisfactory performance. Of the commercial loans sampled, the bank originated 85% to businesses with revenues of less than \$1.0 million.
- The bank's consumer installment lending to borrowers of different incomes meets the standards for satisfactory performance. Of the consumer loans sampled, the bank originated 50% to low- or moderate-income borrowers.
- We identified no evidence of illegal discrimination.
- We identified no CRA complaints filed against the bank during this rating period.

DESCRIPTION OF INSTITUTION

As of September 30, 2001, Lakeside National Bank (LNB) had \$38 million in total assets. LNB is a subsidiary of Lakeside Bancshares, Inc., a one-bank holding company. LNB has one location, which includes an ATM and a drive-up facility that provides extended weekday and Saturday hours.

The bank has no financial or legal obstacles affecting its ability to meet community credit needs. LNB serves Rockwall County, which is in the Dallas Metropolitan Statistical Area (MSA). LNB was rated "Satisfactory" in its previous CRA public evaluation dated December 13, 1996.

LNB's main competition consists of branches of larger national banks and state banks. Several of these large financial institutions operate within the bank's assessment area. The bank is a full service institution, providing various deposit and loan products. Based on conversations with bank management, LNB's primary lending focus is commercial loans to small- to medium-sized businesses and consumer installment loans. As of September 30, 2001, the bank's net loans to total assets totaled 42%. The following table portrays the principal loan mix of LNB:

TYPES OF DOMESTIC LOANS OUTSTANDING SEPTEMBER 30, 2001 (\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
Commercial Loans, including real estate	\$ 8,385	51%
Consumer Installment	\$ 5,200	31%
1-4 Family Residential Loans	\$ 2,539	15%
Construction	\$ 537	3%
Other Loan Types, excludes consumer loans	\$ 7	<1%
TOTAL	\$16,668	100%

DESCRIPTION OF Rockwall County

LNB's assessment area includes six census tracts within Rockwall County. All of these areas fall within the Dallas MSA, meet regulatory guidelines, and do not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population - Year 2001	
Number of Families	7,247
Number of Households	8,849
Geographies	
Number of Census Tracts/BNA	6
# - % Low-Income Census Tracts/BNA	0 - 0.0%
# - % Moderate-Income Census Tracts/BNA	0 - 0.0%
# - % Middle-Income Census Tracts/BNA	1 - 16.7%
# - % Upper-Income Census Tracts/BNA	5 - 83.3%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$38,754
2001 HUD-Adjusted MFI	\$64,400
Economic Indicators	
Unemployment Rate*	5.2%
2001 Median Housing Value	\$104,827
% of Households Below Poverty Level	6.8%

* As of August 2001, Dallas MSA per Bureau of Labor Statistics

The total occupied housing units for the assessment area is at 90%, with owner-occupied housing at 70% and rental-occupied housing at 20%. Vacant housing units in the assessment area are at 10%.

The largest industries in the assessment area are manufacturing, retail trade, financial services, and construction. The largest employers in the bank's market area include the following: Rockwall Independent School District, Wal-Mart, Lake Pointe Medical Center, Continental Express, Precision Cable, James Helwig & Sons, Texas Star Express, County of Rockwall, Kohl's Department Store, Rockwall Nursing Home, City of Rockwall, Home Depot, Albertsons, Kroger, Lowes, and Target.

We determined the credit needs of the community through discussions with management and community contacts. Management stated that the community credit needs include consumer installment and small-business financing. We contacted a member of the Rockwall County Chamber of Commerce during this evaluation period. The chamber member stated that area financial institutions are meeting community credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on the September 30, 2001 Call Report, the largest portion of LNB's loan portfolio is in commercial loans, including commercial real estate loans. The next highest distribution of loans is consumer installment loans and residential mortgage loans.

Loan-to-Deposit Ratio

Given LNB's size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. The bank's 14-quarter average loan-to-deposit (LTD) ratio is 51%.

We compared LNB's quarterly average LTD ratio to its peer group, which consists of financial institutions with average assets between \$25 million and \$50 million with one banking office located in a MSA. In addition, we compared the LTD ratio to institutions located within the bank's assessment area that LNB considers its competition. Information for these financial institutions are detailed in the following table:

Institution	Assets - As of 06/30/01 (000's)	Average LTD Ratio
Peer Group	\$25,000 - \$50,000	67%
Security Bank, N.A.	\$159,244	82%
Community Bank	\$304,176	64%
American National Bank	\$772,285	53%
<i>Lakeside National Bank</i>	<i>\$36,976</i>	<i>51%</i>

LNB's quarterly average of 51% seems low compared to these other institutions, with the

exception of American National Bank. However, these institutions are considerably larger in total asset size than LNB, are in a different segment of the Dallas MSA, and have more banking offices.

Lending in Assessment Area

Based on our review of LNB’s lending patterns, the bank meets the standards of satisfactory performance. We took a sample of 20 commercial loans and 20 consumer installment loans originated from January 01, 1997 to October 29, 2001 and reviewed all of the residential real estate loans made during that same time period. Of the loans reviewed, 81% fall within the bank’s assessment area, totaling \$4.7 million or 73%.

SAMPLE OF LOANS ORIGINATED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	14	70	1,867	60	6	30	1,245	40
Residential Real Estate	49	85	2,684	85	9	15	490	15
Installment	16	80	191	85	4	20	34	15
Total	79	81%	\$4,742	73%	19	19%	\$1,769	27%

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

The bank meets the standards for lending to borrowers of different incomes and to businesses of different sizes.

Borrowers of Different Incomes

LNB’s residential real estate mortgage lending to borrowers of different income levels meets the standards for satisfactory performance.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	13%		14%		22%		51%	
LOANS	% of Number	% of Amount						
Total	13	3	14	10	14	9	59	78

LNB’s consumer installment lending to borrowers of different income levels is good. We reviewed a sample of 20 consumer installment loans originated by the bank. Of the sample reviewed, the bank made six (30%) to low-income borrowers and four (20%) to moderate-income borrowers. The following table illustrates the bank's consumer installment lending penetration to borrowers of different income levels.

INSTALLMENT								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	15%		11%		19%		55%	
LOANS	% of Number	% of Amount						
	30	16	20	26	20	8	30	49

Businesses of Different Sizes

LNB's lending to businesses of different sizes is good. We reviewed a sample of 20 commercial loans originated by the bank. Of the sample reviewed, the bank made 17 (85%) to businesses with revenues of less than \$1.0 million. The total dollar volume of these loans is approximately \$2.0 million or 84% of the sample size. The following table illustrates the bank's lending penetration to businesses of different sizes.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	90%	6%
% of Bank Loans in AA #	85%	15%
% of Bank Loans in AA \$	84%	16%

* The total percent of business in the assessment area will not equal to 100% because some of the businesses did not report revenues.

Geographic Distribution of Loans

A meaningful analysis of the geographic distribution of loans could not be performed because there are no low- or moderate-income census tracts within the bank's assessment area.

Responses to Complaints

LNB has not received any consumer complaints related to its CRA performance during this period.

Fair Lending Review

The OCC performed an analysis of two years public comments and consumer complaint information according to the OCC's risk based fair lending approach. Based on an analysis of the information, the OCC decided not to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 2000 and identified no substantive issues.