



SMALL BANK

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

PUBLIC DISCLOSURE

April 4, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lakeside National Bank
Charter Number 16357**

**2805 Ridge Road
Rockwall, TX 75087**

**Comptroller of the Currency
Dallas Field Office
17300 Dallas Parkway, Suite 2020
Dallas, TX 75248**

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 lending performance of Lakeside National Bank of Rockwall, Texas reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- Loan originations meet the standards for satisfactory performance. Of the loan originations sampled, 73% fall within the designated assessment area.
- Lending to businesses of different sizes exceeds the standards for satisfactory performance. Of the commercial loans sampled, the bank originated 100% to businesses with revenues of less than \$1.0 million.
- Consumer installment lending to borrowers of different incomes meets the standards for satisfactory performance. Of the consumer loans sampled, the bank originated 55% to low and 20% to moderate-income borrowers.
- A meaningful analysis of the geographic distribution loans originated after October 29, 2001 could not be performed because, based on the 2000 census data, there are no low or moderate income tracts located within the banks assessment area.
- We identified no evidence of illegal discrimination.
- We found no CRA complaints filed against the bank during this rating period.

DESCRIPTION OF INSTITUTION

As of December 31, 2005, Lakeside National Bank (LNB) had \$48 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 October 29, 2001.

LNB's main competition consists of branches of larger national banks and state banks. Several of these large financial institutions operate within the assessment area. The bank is a full service institution, providing various deposit and loan products. Based on conversations with management, LNB's primary lending focus is commercial loans to small to medium sized businesses and consumer installment loans. As of December 31 2005, net loans to total assets totaled 36%. The following table portrays the principal loan mix of LNB:

TYPES OF LOANS DECEMBER 31, 2005 (\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
Commercial Loans, including real estate	\$ 10,421	59%
Consumer Installment	\$ 3,999	22%
1-4 Family Residential Loans	\$ 2,649	15%
Construction	\$ 568	3%
Other Loan Types, excludes consumer loans	\$ 7	<1%
TOTAL	\$17,644	100%

DESCRIPTION OF ROCKWALL COUNTY

LNB's assessment area includes seven 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 2005	
Number of Families	12,091
Number of Households	14,581
Geographies	
Number of Census Tracts/BNA	7
# - % Low-Income Census Tracts/BNA	0 %
# - % Moderate-Income Census Tracts/BNA	0 %
# - % Middle-Income Census Tracts/BNA	2 – 28.57%
# - % Upper-Income Census Tracts/BNA	5 – 71.43%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$47,043
2001 HUD-Adjusted MFI	\$64,400
2002 HUD-Adjusted MFI	\$66,500
Economic Indicators	

Unemployment Rate*	4.7%
2001 Median Housing Value	\$140,384
% of Households Below Poverty Level	4%

* As of March 2006, Dallas MSA per Bureau of Labor Statistics

The total occupied housing units for the assessment area are at 95%, with owner-occupied housing at 78% and rental-occupied housing at 16%. Vacant housing units in the assessment area are at 5%.

The largest industries in the assessment area are manufacturing, retail trade, financial services, and construction. The largest employers in the 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 a community contact. 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 December 31, 2005 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 14-quarter average loan-to-deposit (LTD) ratio is 47%.

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 assessment area that LNB considers its competition. Information for these financial institutions is detailed in the following table:

Institution	Assets - As of 12/31/05(000's)	Average LTD Ratio
Peer Group	\$25,000 - \$50,000	58%
Security Bank, N.A.	\$173,580	85%
Community Bank	\$353,242	72%
American National Bank	\$1,198,997	61%
<i>Lakeside National Bank</i>	<i>\$45,000</i>	<i>47%</i>

LNB's quarterly average of 47% seems low compared to these other institutions, with the exception of its peer group average. 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. These banks are considered LNB's primary competitors although several multi-state national banks have moved into the community.

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 October 29, 2001 to March 31, 2006. Of the loans reviewed, 73% fall within the assessment area, totaling \$3.1 million or 67%.

<i>SAMPLE OF LOANS ORIGINATED</i>								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	15	75	2,600	73	5	25	975	27
Installment	14	70	522	60	6	30	346	40
Total	29	73%	\$3,122	66%	11	28%	\$1,321	34%

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

LNB exceeds the standards for lending to borrowers of different incomes and to businesses of different sizes.

Borrowers of Different Incomes

LNB's consumer installment lending to borrowers of different income levels is excellent. We reviewed a sample of 20 consumer installment loans. Of the sample reviewed, eleven (55%) were made to low income borrowers and four (20%) to moderate income borrowers. The following table illustrates the consumer installment lending penetration to borrowers of different income levels.

INSTALLMENT LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	12%		15%		20%		53%	
LOANS	% of Number	% of Amount						
	55	29	20	28	5	3	20	40

Businesses of Different Sizes

LNB's lending to businesses of different sizes is excellent. We reviewed a sample of 20 commercial loans. Of the sample reviewed, twenty (100%) were made to businesses with revenues of less than \$1.0 million. The total dollar volume of these loans is approximately \$3.5 million or 100% of the sample size. The following table illustrates the 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*	69%	4%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

* 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 originated after December 31, 2002 could not be performed because, based on the 2000 census data, there are no low or moderate income census tracts within the assessment area.

Responses to Complaints

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