



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 14, 2012**

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

First National Bank of Lake Jackson  
Charter Number 15171

122 West Way  
Lake Jackson, TX 77566

Office of the Comptroller of the Currency

ADC-HOUSTON (8530) Field Office  
1301 McKinney Street Suite 1410  
Houston, TX 77010-3031

**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 community credit needs. This conclusion is based on the following:

- A substantial majority of loans by number and dollar amount have been originated within the assessment area (AA).
- The distribution of loans reflects a reasonable penetration of businesses of different sizes and households of different income within the AA.
- The geographic distribution of business loans and consumer loans is excellent and exceeds the characteristics of the AA.

**SCOPE OF EXAMINATION**

We completed a full-scope review of the bank's Community Reinvestment Act (CRA) performance using the Small Bank examination procedures, which includes the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. Our examination evaluated the bank's lending performance from January 1, 2009 through March 31, 2012.

FNB's primary loan products are business and consumer loans. As of March 31, 2012, business loans represented 70 percent of the dollar volume of the loan portfolio. Consumer loans represented 70 percent of the number of loans in the portfolio. Residential lending is not a primary loan product. During the evaluation period, the bank originated eight one-to-four family loans. All of the properties were within the AA, and consisted of five for non-owner-occupied and three for owner-occupied residences.

To evaluate the bank's lending performance, we reviewed a statistically valid sample of 20 commercial loans and 22 consumer loans originated during the evaluation period. Twenty loans of each product type were located in the AA.

**DESCRIPTION OF INSTITUTION**

FNB is a full-service community bank headquartered in Lake Jackson, Texas. The bank is owned by a holding company, Austin Colony, Inc., Lake Jackson, Texas. The bank's main office is located at 122 West Way in Lake Jackson. The bank has a branch at 100 East Highway 332 in Brazoria, Texas. Both locations are in middle income census tracts (CTs), have accessible lobby hours, and offer automated teller machines.

As of March 31, 2012, total assets were \$245 million. 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 CRA examination dated January 05, 2007.

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

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's AA consists of Brazoria County, Texas, which is part of the Houston-Sugar Land-Baytown Metropolitan Statistical Area. The county contained 45 CTs during the predominant portion of the assessment period. The county does not have any low-income CTs. Seven (16 percent) of the CTs are moderate-income, 26 CTs (58 percent) are middle-income, and 12 CTs (26 percent) are upper-income. The AA meets legal requirements as it consists of an entire county, includes only whole CTs, and does not arbitrarily exclude low-or moderate-income geographies.

Brazoria County is located south of Houston and covers 1,597 square miles. According to the 2010 United States Census (census), the county has a population of 313,166 and has grown 29.5 percent in the past 10 years. Median household income was \$65,607. According to the Texas Workforce Commission, in November 2011, the unemployment rate was 8.4 percent, and the 2010 census estimated 10.6 percent of the population was below the poverty level.

FNB concentrates banking activities in the southern portion of Brazoria County known as the Brazosport area. Brazosport is a multi-city community located at the mouth of the Brazos and San Bernard rivers. The community is the location of both FNB branches. According to the Brazosport Area Chamber of Commerce, Brazosport is the home of the largest basic chemical complex in the world which includes chemical manufacturing, petro-chemical processing, offshore extraction support complexes, and various other manufacturing. Major employers included The Dow Chemical Company, Texas Department of Criminal Justice, Infinity Group, Brazosport Independent School District, and Wal-Mart Associates, Inc.

Banking competition in Brazoria County is intense. The June 30, 2011 Federal Deposit Insurance Corporation Market Share Report lists 27 financial institutions with 78 offices in the county, excluding credit unions. Competitors in the county include Texas Dow Employees Credit Union, Brazosport Teachers Credit Union, Brazoria County Employees Credit Union, Old Ocean Employees Credit Union, Texas Gulf Bank, First State Bank Clute, and Lone Star Bank.

A Community Affairs Specialist for the Comptroller of the Currency completed a contact in Brazoria County with a Director of a non-profit organization. The organization exists to build decent and affordable housing within its service area. The Director commented that banks were not heavily involved in providing affordable housing opportunities. As noted above, while single family financing is not a primary lending product, FNB did provide some financing for single family residences in the AA during the evaluation period.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

The bank meets the standard for satisfactory performance. The LTD ratio is below average but is reasonable given the bank's performance context. FNB is the depository institution for the county and several other local public entities. It has a significant level of public funds not available for lending. The bank's LTD ratio averaged 11 percent in the 22 quarters since the prior CRA examination. The average LTD ratio for a peer group of three banks headquartered in Brazoria County with assets between \$100 million and \$400 million was 37 percent, ranging from a low of 27 percent to a high of 56 percent. Excluding public funds, FNB's LTD ratio averaged 20 percent since the prior CRA examination. The LTD ratio for the peer group, excluding public funds, averaged 40 percent during this period, ranging from 30 to 58 percent. In addition to public entities, FNB also has a few other customers with large deposit balances. This results in a smaller number of deposit account customers than the bank's competitors, further limiting the opportunities to originate loans. Excluding deposits over \$250 thousand, FNB's LTD ratio was 29 percent as of March 31, 2012. The corresponding LTD for the peer group averaged 46 percent, ranging from 26 to 77 percent.

### Lending in Assessment Area

The bank exceeds the standards for satisfactory performance. A substantial majority of loans by number and dollar amount have been originated within the AA. Our sample of 20 consumer loans and 20 business loans originated from January 1, 2009 through March 31, 2012, disclosed 95 percent by number and 99.70 percent by dollar amount originated within the AA. The details of our review are in the following table:

Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	18	90.00	2	10.00	20	160	93.02	12	6.98	172
Commercial	20	100.00	0	0.00	20	3,812	100.00	0	0.00	3,812
Totals	38	<b>95.00</b>	2	<b>5.00</b>	40	3,972	<b>99.70</b>	12	<b>0.30</b>	3,984

Source: loan sample.

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

Overall, the distribution of loans reflects a reasonable penetration of businesses of different sizes and households of different income within the AA. The distribution meets the standard for satisfactory performance.

The distribution of the number of loans to businesses with annual revenues of \$1 million or less is excellent and exceeds the AA characteristics. The dollar amount of loans is below the characteristics of the AA. However, the size of a few loans extended to those

borrowers with revenues greater than \$1 million had a significant effect on the percentage of the dollar amount of loans. Therefore, the number percentage was assigned a greater weight in our evaluation. The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Loans to Businesses in Brazoria County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.78	1.77	29.45	100%
% of Bank Loans in AA by #	<b>85.00</b>	15.00	0.00	100%
% of Bank Loans in AA by \$	<b>30.25</b>	69.75	0.00	100%

Source: Dun and Bradstreet data; loan sample.

The distribution of the number of consumer loans to low- and moderate-income borrowers is reasonable and meets the standard for overall satisfactory performance. The penetration of low-income households by number is significantly below the AA percentage. The penetration is reasonable considering the bank’s performance context, which includes intense competition from other banks and credit unions. The penetration of moderate-income households by number is more than reasonable and significantly exceeds the AA characteristic. The bank’s performance is shown in the following table:

<b>Table 2B - 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	<b>5.00</b>	16.89	<b>35.00</b>	19.42	5.00	40.82	45.00

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

Note: borrower income level was unavailable for two loans (10 percent).

### Geographic Distribution of Loans

The geographic distribution of business loans and consumer loans is excellent and exceeds the characteristics of the AA. Brazoria County does not have any low-income census tracts. Lending in moderate-income census tracts exceeds the characteristics of the AA for both business loans and consumer loans. The loan samples did not identify any unexplained conspicuous gaps in the geographic distribution of loans.

For business loans, the distribution significantly exceeds the AA characteristics, as shown in the table below:

Table 3A - Geographic Distribution of Loans to Businesses in Brazoria County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Commercial	0.00	0.00	8.64	<b>25.00</b>	42.53	50.00	48.83	25.00

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

For consumer loans, the distribution exceeds the AA characteristics, as shown in the table below:

Table 3B - Geographic Distribution of Consumer Loans in Brazoria County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	<b>15.00</b>	52.87	65.00	33.85	20.00

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

### Community Development Loans

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

### Responses to Complaints

The bank 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.