



SMALL BANK

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

PUBLIC DISCLOSURE

May 03, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Jacksboro National Bank
Charter Number 7814**

**124 E. Belknap
Jacksboro, TX 76056**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, 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.

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

Jacksboro National Bank has a satisfactory record of meeting the credit needs of its assessment area (AA). We based our conclusion on the bank's lending practices. The factors and data supporting this rating are as follows:

- The bank's loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and AA credit needs.
- A majority of the bank's loans, 88% in number and 84% in dollar volume, were made within its AA.
- The distribution of loans to borrowers of different incomes reveals a satisfactory penetration to businesses of different sizes and reasonable penetration to individuals of different incomes.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.

DESCRIPTION OF JACKSBORO NATIONAL BANK

Jacksboro National Bank (JNB) is a community bank located in Jacksboro, Texas, which is located approximately 60 miles northwest of Fort Worth, Texas, and 50 miles south of Wichita Falls, Texas. The bank's main facility is located in downtown Jacksboro. A branch was established in April 1998 in Bowie, Texas, approximately 35 miles northeast of Jacksboro. The bank has a total of three Automated Teller Machines (ATM's), which are operational 24 hours daily. The ATM's are located at the two bank locations and the Allsup's convenience store in Jacksboro.

JNB is a full-service community bank offering a wide variety of loan and deposit products. As of March 31, 2007, JNB had total assets of \$135 million, total loans of \$73 million, and total deposits of \$126 million. The following table presents information regarding the bank's loan portfolio as of March 31, 2007.

Loan Portfolio Composition as of March 31, 2007		
Loan Category	\$ (000)	%
Real Estate:		
Commercial Real Estate	9,672	13.27
Farmland	13,284	18.23
1-4 Family Residential	10,235	14.04
Other Real Estate	2,550	3.50
Agriculture	10,666	14.64
Commercial & Industrial	19,490	26.74
Consumer	5,759	7.90
Other	1,224	1.68
Total	72,880	100.00

Source: March 31, 2007, Report of Condition

JNB is 100% owned by Jacksboro National Bancshares, Inc., which is a one-bank holding company. The corporate structure of neither JNB nor the holding company has changed since the prior CRA examination and no significant changes are planned that would affect the bank's CRA performance. Primary competition comes from one other national bank in both Jacksboro and Bowie, and two other financial institutions in adjacent counties in the AA. There are also several branch facilities of community and regional-sized financial institutions located in Jack, Montague, and Clay Counties, which offer modest competition to JNB.

The most recent CRA examination was performed as of October 15, 2002. JNB received a "Satisfactory" rating at that examination. There are no legal or financial impediments to the bank's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

JNB has defined its AA as all of Jack, Montague, and Clay Counties in northern Texas. The AA is legal and meets the requirements of the regulation. The main banking facility located in Jacksboro is in Jack County. The branch facility located in Bowie lies on the border of Montague and Clay Counties. The AA is not in a Metropolitan Statistical Area. There are a total of thirteen census tracts in the AA. Twelve of the census tracts are designated as middle-income and one is designated as upper-income. There are no low- or moderate-income census tracts in the AA.

Demographic and Economic Characteristics of the AA	
Population	
Number of Families	10,946
Number of Households	15,135
Geographies	
Number of Census Tracts	13
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	92.31%
% Upper-Income Census Tracts	7.69%
Median Family Income (MFI)	
2000 MFI for AA	\$39,105
2006 HUD-Adjusted MFI	\$44,485
Economic Indicators	
Unemployment Rate	2.08%
2000 Median Housing Value	\$53,906
% Households Below Poverty Level	13.22%

Source: 2000 U.S. Census data and HUD updated income data.

The population of the AA is approximately 38,886 based on 2000 U.S. Census data. There are 18,552 housing units in the AA, of which 65% are owner-occupied, 17% renter-occupied and 18% vacant. The median housing value is \$53,906 and the median year built is 1969. Approximately 18% of the families in the AA are considered low-income, 18% moderate-income, 24% middle-income, and 40% upper-income.

Based on 2006 Dun and Bradstreet business demographic data, there are 3,370 businesses in the AA, of which 58% reported gross annual revenue less than or equal to \$1 million and 3% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 39% of the businesses did not report revenues.

The primary credit needs of the community continue to be related to the oil and gas industry and local retail and consumer purpose needs. The local economy is good and has benefited from strong oil prices and the exploration of the Barnett Shale. A local state park attracts approximately 160,000 tourists per year who enjoy camping, hiking and fishing. Tourism is an important resource to local retailers. Major employers in the area are small oil and gas production and oil field related businesses, the John R. Lindsey state prison facility, Faith

Community Hospital, and the Jacksboro and Bowie Independent School Districts. We contacted a community professional with the Economic Development Corporation to discuss the credit needs of the community. He stated the primary credit needs of the community are housing and small business financing and the local financial institutions are generally meeting those credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance is satisfactory. Conclusions with respect to the following two performance criteria; Lending in Assessment Area and Lending to Borrowers of Different Incomes and Businesses of Different Sizes, are based on a sampling of the institution's loan portfolio. Examiners reviewed twenty commercial and industrial loans and twenty 1-4 family residential loans originated between January 2005 and March 2007.

Loan-to-Deposit Ratio

JNB's loan-to-deposit (LTD) ratio is satisfactory given the bank's size, financial condition, and assessment area credit needs. The LTD ratio averaged 57.73% over the past 17 quarters since our last CRA examination. The bank identified several similarly situated competitors. The quarterly average LTD ratio for each bank is listed below. Please note that these banks are listed alphabetically and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets (000's) As of 12/31/2006	Average Loan-To-Deposit Ratio
FNB of Byers	85,158	68.94
FNB of Jacksboro	141,875	54.72
FNB of Saint Jo	36,394	48.51
Jacksboro National Bank	136,005	57.73
Legend Bank, N.A.	370,309	65.25

Source: Institutions Report of Condition from December 2002 to December 2006

Lending in Assessment Area

A majority of the bank's loans were made within its AA, which reflects a satisfactory commitment to meeting the credit needs of the AA. Our analysis determined that 88% of the number of loans and 84% of the dollar amount of loans in the sample were extended within the bank's AA. The table below reflects the distribution by product type.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	19	95.00	1	5.00	20	846	89.43	100	10.57	946
Residential	16	80.00	4	20.00	20	1,471	80.87	348	19.13	1,819
Totals	35	87.50	5	12.50	40	2,317	83.80	448	16.20	2,765

Source: Loan sample.

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is reasonable and meets the standards for satisfactory performance. To perform our analysis, we reviewed income information for 20 commercial loans and 20 residential real estate loans originated in the bank's AA. Each of these loan products were equally considered in the overall rating for this assessment factor. The loans were originated during the same review period as above.

Commercial Loans

The bank's lending to businesses of different sizes meets the standards for satisfactory performance. The sample of business loans reviewed found 75% of the number and 48% of the dollar volume of loans were extended to businesses with gross revenues of less than \$1 million per year. The following charts reflect the results of our review of commercial loans originated in the AA.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58.04%	2.73%	39.23%	100.00%
% of Bank Loans in AA by #	75.00%	15.00%	10.00%	100.00%
% of Bank Loans in AA by \$	47.62%	50.48%	1.90%	100.00%

Source: Loan sample; Dunn and Bradstreet data.

Residential Loans

Residential real estate lending meets the standards for satisfactory performance. Based on 2000 U.S. Census information, 18% of the families in the AA are low-income and 18% of the families are moderate-income. Our review determined that the bank made 20% of its residential loans to low- and moderate-income families. Although the bank's penetration is below demographic percentages, it represents reasonable performance. The following chart reflects the results of our selected sample of residential loans originated in the AA.

Borrower Distribution of Residential Real Estate Loans								
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
Residential loans	18.09	10.00	17.61	10.00	24.25	30.00	40.05	50.00

Source: Loan sample, U.S. Census data.

Geographic Distribution of Loans

A geographic distribution analysis was not performed. There are no low- or moderate-income census tracts within the bank's defined AA.

Responses to Complaints

JNB has not received any complaints pertaining to CRA performance during this 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.