



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**August 27, 2007**

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

**The First National Bank of Jacksboro  
Charter Number 4483**

**201 South Main Street  
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.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Jacksboro, Jacksboro, Texas, as prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 27, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

### **This institution is rated Satisfactory.**

First National Bank of Jacksboro's lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 56.6% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A significant majority of the bank's loan activity is within the bank's assessment area.
- A geographic distribution of loans was not applicable as there were no low- or moderate-income geographies in the assessment area.
- The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- There have been no CRA related complaints filed against the bank.

## DESCRIPTION OF THE FIRST NATIONAL BANK OF JACKSBORO

The First National Bank of Jacksboro (FNB) is a community bank chartered in Jacksboro, Texas; Jacksboro is located approximately 60 miles northwest of Fort Worth, Texas and 50 miles south of Wichita Falls, Texas. The main facility is located in downtown Jacksboro. A branch was established in February 1997 in Runaway Bay, Texas approximately 20 miles east of Jacksboro. The bank has one Automated Teller Machine (ATM) at each banking location. These ATMs are operational 24 hours daily.

FNB is a full-service community bank offering a wide variety of loan and deposit products. As of June 30, 2007, FNB has total assets of \$166 million, loans of \$75 million, and deposits of \$125 million. The following tables present the bank's loan and deposit information as of June 30, 2007.

<b>Loan Summary</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	\$30,029	40%
Commercial Loans	\$28,971	39%
Consumer Loans	\$9,578	13%
Residential Real Estate Loans	\$5,882	8%
Other	\$399	< 1%
<b>Total</b>	<b>\$74,859</b>	<b>100%</b>
Percentage of Loans to Total Assets 45.2%		

<b>Deposit Summary</b>	<b>\$ (000)</b>	<b>%</b>
Demand Deposits	\$46,586	38%
Savings/NOW	\$9,605	8%
MMDA	\$5,555	4%
CDs < \$100,000	\$33,073	26%
CDs > \$100,000	\$30,278	24%
<b>Total</b>	<b>\$125,097</b>	<b>100%</b>

Effective December 31, 2006, Highlands Bancshares, Inc. (HBI), a Dallas based corporation, purchased First Jacksboro Bancshares of Delaware, Inc. (FJBI), a one-bank holding company (100% owner of FNB). Corporate headquarters remains in Dallas. Shortly after consummating the acquisition, FNB opened a full-service branch and a separate drive-through facility in North-central Dallas. Future Dallas expansion is anticipated, however, no significant changes are planned for the near future. Primary competition comes from several state and national banks (and branches of such) in the surrounding Jacksboro and Dallas areas.

The most recent CRA examination was performed as of February 25, 2002. The bank 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 assessment areas (AAs).

## DESCRIPTION OF THE JACKSBORO AND DALLAS ASSESSMENT AREAS

FNB has two AAs; Jacksboro and Dallas. The Jacksboro AA is defined as all of Jack County and the two westernmost census tracts (CTs) in Wise County. The Dallas AA is defined as 20 CTs located in North-central Dallas. Both AAs are part of the Dallas-Ft. Worth-Arlington Metropolitan Statistical Area (MSA). Each AA complies with the legal requirements of the CRA, containing whole and contiguous CTs. See the following table for demographics of each AA including CT designations. There are no low- income geographies in the assessment area and the bank did not arbitrarily exclude low- or moderate- income geographies in defining its assessment area. The following table reflects the assessment area demographics:

<b>Demographic and Economic Characteristics of the Assessment Areas *</b>		
	<i>Jacksboro</i>	<i>Dallas</i>
<b>Population</b>		
Number of Families	5,088	15,782
Number of Households	6,699	27,662
<b>Geographies</b>		
# Low-Income BNA	0	0
# Moderate-Income BNA	0	1
# Middle-Income BNA	5	0
# Upper-Income BNA	1	19
<b>Median Family Income (MFI)</b>		
2000 MFI for Assessment Area	42,519	\$141,296
2006 HUD Adjusted MFI	49,767	\$66,700
<b>Economic Indicators</b>		
Unemployment Rate	1.71%	1.30%
2000 Median Housing Value	\$65,085	\$378,582
% of Households Below Poverty Level	11.48%	5.88%

\* Derived from the 2000 Census Bureau and 2006 Housing and Urban Development Agency (HUD) data.

The Jacksboro AA economy is centered in the oil and gas and agriculture industries. The local economy is strong and improved due to the Barnett Shale activity. A local state park attracts 100,000 tourists annually, which 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, and the Jacksboro Independent School District.

A recent community contact with the Jacksboro Economic Development Corp. indicates that the efforts of the financial institutions to meet the credit needs of low- and moderate-income individuals are satisfactory.

The Dallas AA economy well diversified. The branch facilities are located in an area of stable growth and prosperity. Major employers would include Southwest Airlines, Dallas Independent School District, Southern Methodist University as well as the numerous small businesses located throughout the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Our conclusions are based on the bank's lending activity since the last CRA examination, dated February 25, 2002. The Dallas branch facilities have not had time to generate a sufficient volume of loans to draw a representative sample for review. Therefore, our analysis and assessment are based on lending activities in the Jacksboro AA. As noted above, FNB continues to make commercial, commercial real estate, and consumer loans. Our assessment is based on a review of all approved home purchase loans since January 1, 2004, and random samples of 20 consumer and 20 business loans. Our overall analysis indicates the bank is meeting the standards set out by the CRA.

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

FNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average LTD ratio for FNB since the last CRA examination is 56.6%. There are seven other financial institutions in the trade area and the average loan-to-deposit ratios for these institutions, for the same period, range from 43.6% to 95.5%. Based on this information, the bank's LTD ratio is reasonable and within the range of area competing banks.

### **Lending in Assessment Area**

FNB's lending within the assessment area exceeds the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FNB's lending efforts are concentrated within the assessment area reviewed.

At this time, FNB does not track loans by location. To assess the bank's performance in this area we were required to sample a portion of the loan portfolio. We used the samples noted above to assess the bank's performance for this criterion. Based on our sample results, a significant majority of loans are within the bank's assessment area. The following table reflects the results of our assessment of the bank's efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	135	98%	\$8,339	99%	3	2%	\$98	1%
Automobile Loans	18	90%	\$242	98%	2	10%	\$4	2%
Business Loans	17	85%	\$714	87%	3	15%	\$103	13%
<b>Total Reviewed</b>	<b>170</b>	<b>96%</b>	<b>\$9,295</b>	<b>98%</b>	<b>8</b>	<b>4%</b>	<b>\$205</b>	<b>2%</b>

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

The bank's loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess the bank's efforts, we used the samples noted above. Our analysis, noted in the tables below, indicates the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank has no minimum loan amount in policy. A review of small loans reflected the bank has several loans with originating balances of \$1,000 or less, currently on the books (the lowest originating amount was \$250.00). We noted there were several other loans with originating balances between \$1,000 and \$1,500. This indicates the bank willingly extends credit to meet the needs of the consumer. Overall, we concluded that the bank's performance is generally proportionate to the income levels of the households within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, bank meets the needs of the small businesses.

#### 1-4 Family Lending

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20%		20%		27%		33%	
	% of Number	% of Amount						
Sample Totals	7%	3%	13%	7%	24%	14%	56%	76%

## Consumer Auto Lending

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	18%		14%		17%		51%	
	% of Number	% of Amount						
Sample Totals	35%	29%	10%	9%	10%	10%	5%	2%

Note: 40% and 50% of the number and dollar amount, respectively, of loans sampled did not have income information.

## Business Lending

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *Forty three percent of assessment area businesses did not report revenue figures	54%	3%
% of Bank Loans in AA #	50%	10%
% of Bank Loans in AA \$	42%	37%

Note: 40% and 21% of the number and dollar amount, respectively, of loans sampled did not have income information.

## Geographic Distribution of Loans

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

## Responses to Complaints

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation.