



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**April 26, 2004**

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

**The First National Bank of Weatherford  
Charter Number 2477**

**220 Palo Pinto Street  
Weatherford, TX 76086**

**Comptroller of the Currency  
Fort Worth Field Office  
9003 Airport Freeway, Suite 275  
North Richland Hills, TX 76180-9127**

**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 First National Bank of Weatherford, Weatherford, Texas as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **April 26, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

The First National Bank of Weatherford's (FNB) lending performance reflects a strong response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio is more than reasonable given the bank's resources, local credit needs, and local competition.
- A substantial majority of loans and other lending-related activities are within the bank's assessment area (AA).
- The distribution of loans reflects excellent penetration among individuals of different income levels and among businesses of different sizes.
- The distribution of loans reflects excellent dispersion throughout the AA.
- The bank received no CRA-related complaints since the previous CRA examination.

## DESCRIPTION OF INSTITUTION

The First National Bank of Weatherford (FNB), a \$106 million institution, was chartered in 1880. The bank has one office, located in Weatherford, Texas. Facilities include a drive-in location and an automated teller machine (ATM). FNB offers convenient banking hours and a full range of credit products, deposit accounts and trust services to meet the credit needs of the community. The bank provides banking services primarily to the city of Weatherford and the small towns and rural areas of Parker County. Primary lending products include commercial, residential real estate and consumer loans.

FNB is a subsidiary of First Baird Bancshares of Delaware, Inc., which itself is a wholly owned corporation of First Baird Bancshares, Inc, a Texas corporation based in Baird, Texas, with total assets of \$321 million as of December 31, 2003. The parent company owns three other community banks operating in West and North Texas. FNB has no operating subsidiaries and has had no merger or acquisition activity during the evaluation period.

As of March 31, 2004, net loans comprised 65% of FNB's total assets. A summary of the loan portfolio is as follows:

<b>Loan Portfolio Composition As of March 31, 2004</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	32,845	48
Commercial	7,589	11
Residential Real Estate	9,043	13
Consumer	9,247	13
Agricultural	9,996	15
Other	77	0
<b>Total</b>	<b>68,797</b>	<b>100%</b>

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA. The last CRA performance evaluation was done on November 1, 1999, and the bank was rated "Satisfactory." There have been no changes in the bank's corporate structure.

## DESCRIPTION OF ASSESSMENT AREA (AA)

The bank has designated Parker County, Texas as its AA. Parker County is part of the Fort Worth-Arlington, Texas Metropolitan Statistical Area (MSA). We used information on the county from both the 1990 and 2000 U.S. Census in our evaluation. At the time of the 1990 U.S. Census, Parker County consisted of eight census tracts (CTs) with two designated as moderate-income, five designated as middle-income and one upper-income. The 2000 US Census shows 13 CTs, consisting of one moderate-income, ten middle-income, and two upper-income. Currently, there are no low-income census tracts in the county.

According to the 1990 U.S. Census, the distribution of households by income levels in the AA

was 25% low-income, 17% moderate-income, 21% middle-income, and 37% upper-income. The distribution of households by income levels according to the 2000 Census showed 21% as low-income, 18% moderate-income, 21% middle-income, and 40% upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Weatherford, the county seat of Parker County, is located 30 miles west of Fort Worth, Texas. It is known as the Cutting Horse Capital of the World and the Peach Capital of Texas. The county's economy is robust and Weatherford itself also continues to grow in population and business activity. Weatherford is increasingly considered a bedroom community to Fort Worth and has no significant manufacturing industry. Many residents commute to the Dallas-Fort Worth area for employment. The predominant economic activity industry in Weatherford continues to be serviced-based businesses with a large number of employers paying lower-scale wages. Major employers are the Weatherford Independent School District, Texas Bank, Campbell Health System, Weatherford College, Wal-Mart Super Center, and JAMAK, Inc. Additional demographic and economic characteristics of the AA are presented in the table below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>		
	<b>1990 U.S. Census</b>	<b>2000 U.S. Census</b>
Population	64,785	88,495
Number of Families	18,316	24,461
Number of Households	22,892	31,151
<b>Geographies</b>		
Number of Census Tracts/BNA	8	13
% Low-Income Census Tracts/BNA	0	0
% Moderate-Income Census Tracts/BNA	25	8
% Middle-Income Census Tracts/BNA	63	77
% Upper-Income Census Tracts/BNA	12	15
<i>Median Family Income (MFI)</i>		
1990 Census MFI	\$37,571	-
2000 Census MFI	-	\$53,230
2000 HUD-Adjusted MFI	\$57,400	\$57,400
2001 HUD-Adjusted MFI	\$60,100	\$60,100
2002 HUD-Adjusted MFI	\$61,300	\$61,300
2003 HUD-Adjusted MFI	\$60,300	\$60,300
<b>Economic Indicators</b>		
Unemployment Rate-AA March 2004	4.4%	
Unemployment Rate-State March 2004	6.2%	
Unemployment Rate-National March 2004	5.7%	
Median Housing Value	\$67,500	\$93,390
% of Households Below Poverty Level	11%	8%

The AA includes two other community banks as well as branches of larger institutions and competition is strong for deposit and loan customers. The Weatherford National Bank, a locally

owned community bank with \$222 million in total assets as December 31, 2003, has four locations with three in Weatherford and one in Aledo. The Bank, also headquartered in the county, had total assets of just \$35 million as of December 31, 2003. Two branches of Texas Bank, a \$1.3 billion bank as of December 31, 2003, are also located in the city and the bank is considered a major competitor. Local investment firms, two credit unions and one branch each of Lone Star Land Bank, First Convenience Bank, and First American Bank offer additional competition. Other banks in communities such as Azle, Benbrook, Granbury, and Fort Worth are located within a 40-mile radius of Weatherford.

One community contact, with a senior executive of the Weatherford Chamber of Commerce, was conducted in conjunction with this evaluation. The contact indicated that economic conditions in the area are good with steady growth. The contact also stated that area financial institutions are doing an excellent job of meeting commercial, residential real estate, and consumer credit needs.

## **SAMPLING INFORMATION**

Our review focused on FNB's three primary product lines: commercial, residential real estate and consumer loans. The bank's residential real estate products consists of home purchase, refinance and home improvement loans. We sampled 25 commercial and 25 consumer loans where the bank collected income information, and 206 residential real estate loans originating since the last CRA examination and reported under the provisions of the Home Mortgage Disclosure Act (HMDA). For the *Lending to Borrowers of Different Incomes*, *Lending to Businesses of Different Sizes* and *Geographic Distribution of Loans* analyses, we omitted loans that were made outside of the AA. The loans included in the sample originated between January 1, 2000 and December 31, 2003, and were selected at random.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNB has demonstrated outstanding performance in meeting the credit needs of the AA, including low- and moderate-income families, consistent with its resources and capabilities.

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

FNB's loans to deposits ratio (LTD) ratio is more than reasonable when compared to similar community banks headquartered in the AA. Refer to the table below for a comparative analysis of the bank's average ratio compared with similar community banks headquartered in the AA.

<b>Institution</b>	<b>Assets as of 12/31/03 (000s)</b>	<b>Average Quarterly LTD Ratio 12/31/99 - 12/31/03</b>
<b>The FNB of Weatherford</b>	<b>105,736</b>	<b>64%</b>
Weatherford National Bank	222,232	52%
The Bank	34,604	47%

Given its size, primary loan products, AA's credit needs, strong competition from other financial institutions in the AA, and the area's economy, FNB's LTD ratio represents an outstanding responsiveness to the credit needs of the AA.

### **Lending in Assessment Area**

A substantial majority of the bank's lending-related activities are within the AA. This assessment is based on our sample of commercial and consumer loans originating between January 1, 2000 and December 31, 2003 along with all loans included in the 2000-2003 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR). Using our loan sample and the all loans from the HMDA-LAR, we determined that 90 percent by dollar and 90 percent by dollar volume were the borrowers located within the AA. The following table shows the bank's lending activities in and out of the AA by type of loan sampled. This reflects an excellent record of providing credit services within the AA.

<b>Total Loans Reviewed</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Commercial and Commercial RE	23	92	2,321	90	2	8	270	10
Residential RE*	187	91	11,128	90	19	9	1,207	10
Consumer	21	84	83	89	4	16	10	11
<b>Total Reviewed</b>	<b>231</b>	<b>90</b>	<b>13,532</b>	<b>90</b>	<b>25</b>	<b>10</b>	<b>1,487</b>	<b>10</b>

\*Includes all HMDA-related loans (home purchase, refinance, and home improvement) that originated during the evaluation period.

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

FNB demonstrates excellent penetration when lending to businesses of different sizes and to individuals with different income levels. Although commercial loans are the dominant lending product, the bank also originates a good number of consumer and residential real estate loans. This supports the community contact's statement that area financial institutions are doing an excellent job of meeting commercial, residential real estate, and consumer credit needs. A sample of 25 combined commercial and commercial real estate loans, 25 consumer loans, and 187 residential real estate transactions within the AA were used for this evaluation. Each of these loan products was considered in the overall rating for this assessment factor.

The wide distribution of loans to borrowers with varying income levels reflects favorably on FNB meeting the credit needs of businesses and consumers. Our consumer lending sample, in particular, reflected a strong effort to low or moderate income borrowers. The residential sample closely followed or exceeded the proportion of lower income borrowers in the community. The following tables summarize the distribution of FNB's lending for consumer, residential real estate and commercial loans.

Distribution of Borrowers by Income Level								
Consumer								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households (1990 U.S. Census)*	25		17		21		37	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	27	38	6	4	0	0	0	0
2001	11	12	6	4	6	3	0	0
2002	27	20	17	19	0	0	0	0
<b>Total</b>	<b>65</b>	<b>70</b>	<b>29</b>	<b>27</b>	<b>6</b>	<b>3</b>	<b>0</b>	<b>0</b>
% of AA Households (2000 U.S. Census)**	21		18		21		40	
2003	66	20	17	67	0	0	17	13
<b>Total</b>	<b>66</b>	<b>20</b>	<b>17</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>13</b>

\* Portion of the loan sample that originated between January 1, 2000, and December 31, 2002.

\*\* Portion of the loan sample that originated between January 1, 2003, and December 31, 2003.

Distribution of Borrowers by Income Level Residential Real Estate								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families (1990 U.S. Census) *	22		20		25		33	
Loan Type	% of Number	% of Amount	% Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential RE	20	4	21	7	27	18	32	71
% of AA Families (2000 U.S. Census) **	19		20		24		37	
Loan Type	% of Number	% of Amount	% Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential RE***	23	3	17	5	11	6	49	86

\* Portion of the loan sample that originated between January 1, 2000, and December 31, 2002.

\*\* Portion of the loan sample that originated between January 1, 2003, and December 31, 2003.

\*\*\*Includes all HMDA-related loans: home purchase, refinance, and home improvement.

FNB made the large majority of its business loans to businesses with gross annual revenues of less than \$1 million. The following table illustrates the lending distribution to businesses located within the bank's AA. A small business is defined as a business with gross annual revenues of less than \$1 million.

Borrower Distribution Of Loans To Businesses (Non-Farm)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses (Per 1990 U.S. Census)	95	5
<b>% of Bank Loans in AA (by #) *</b>	<b>100</b>	<b>0</b>
<b>% of Bank Loans in AA (by \$) *</b>	<b>100</b>	<b>0</b>
<hr/>		
% of AA Businesses (Per 2000 U.S. Census)	95	5
<b>% of Bank Loans in AA (by #) **</b>	<b>86</b>	<b>14</b>
<b>% of Bank Loans in AA (by \$) **</b>	<b>54</b>	<b>46</b>

\* Portion of the loan sample that originated between January 1, 2000, and December 31, 2002.

\*\* Portion of the loan sample that originated between January 1, 2003, and December 31, 2003.



Based on the 1990 and 2000 U.S. Census, the above table shows that 95% of the businesses in the AA earn less than \$1 million in gross revenues. FNB originated 100% of loans by number and 100% by dollar amount to small businesses during the period January 1, 2000 to December 31, 2002. In the year 2003, FNB originated 86% of the sampled loans and 54% of the dollar amount to small businesses. Our 2003 sample included one loan for \$75 thousand to a large business with gross annual income of more than \$1 million. That one large loan skewed the percentage of the dollar volume of loans in 2003. The figures highlight the bank's commitment to these businesses.

### Geographic Distribution of Loans

FNB's geographic distribution of loans reflects excellent dispersion throughout all the AA, given the bank's size, primary loan products, and the AA's demographics. The following tables illustrate the lending distribution of our sample of residential real estate, commercial and consumer loans originating between January 1, 2000 and December 31, 2003.

Distribution of Borrowers by Income Level Residential Real Estate								
Borrower Income Level	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts (1990 U.S. Census) *	0		25		62		13	
% of AA Owner-occupied Housing (1990 U.S. Census) *	0		23		57		20	
Loan Type	% of Number	% of Amount	% Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential RE	0	0	37	24	53	63	10	13
% of AA Tracts (2000 U.S. Census) **	0		8		77		15	
% of AA Owner-occupied Housing (2000 U.S. Census) **	0		6		72		22	
Loan Type	% of Number	% of Amount	% Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential RE***	0	0	14	10	81	88	5	2

\* 1990 U.S. Census: Parker County had eight census tracts: two moderate-, five middle-, and one upper-income.

\*\* 2000 U.S. Census: Parker County had 13 census tracts: one moderate-, ten middle-income, and two upper-income.

\*\*\*Includes all HMDA-related loans: home purchase, refinance, and home improvement.

Distribution of Borrowers by Tract Income Level Consumer								
Census Tract Income Level (1990 Census)*	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Households	0		23		59		18	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	11	14	17	15	6	14
2001	0	0	0	0	22	19	0	0
2002	0	0	32	34	6	1	6	3
<b>Total</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>48</b>	<b>45</b>	<b>35</b>	<b>12</b>	<b>17</b>
Distribution of Borrowers by Tract Income Level Consumer								
Census Tract Income Level (2000 Census)**	LOW (None)		MODERATE		MIDDLE		UPPER (None)	
% of AA Households	0		7		73		20	
2003	0	0	0	0	100	100	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* 1990 U.S. Census: Parker County had eight census tracts: two moderate-, five middle-, and one upper-income.

\*\* 2000 U.S. Census: Parker County had 13 census tracts: one moderate-, ten middle-income, and two upper-income.

As reflected above, lending to consumers located in the AA closely followed the geographical distribution of those consumers as indicated by 1990 Census information. The re-designation of the CTs for the 2000 Census indicated a population and lending distribution more centered in middle-income areas.

The business lending distribution suggests significant lending activities in the AA's moderate- and middle-income areas. Refer to the table below.

Distribution of Business Loans (Non-Farm) by Tract Income Level								
Census Tract Income Level (1990 U.S. Census)*	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts	0		25		62		13	
% of AA Businesses	0		19		60		21	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	11	3	11	30	0	0
2001	0	0	11	50	22	4	0	0
2002	0	0	17	6	22	4	6	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>60</b>	<b>55</b>	<b>38</b>	<b>6</b>	<b>2</b>
Distribution of Business Loans (Non-Farm) by Tract Income Level								
Census Tract Income Level (2000 U.S. Census)**	LOW (None)		MODERATE		MIDDLE		UPPER (None)	
% of AA Tracts	0		8		77		15	
% of AA Businesses	0		5		73		22	
2003	0	0	15	11	85	89	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>11</b>	<b>85</b>	<b>89</b>	<b>0</b>	<b>0</b>

\* 1990 U.S. Census: Parker County had eight census tracts: two moderate-, five middle-, and one upper-income.

\*\* 2000 U.S. Census: Parker County had 13 census tracts: one moderate-, ten middle-income, and two upper-income.

### Responses to Complaints

FNB received no consumer complaints regarding the its CRA performance during the evaluation period.

### Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.