



## **PUBLIC DISCLOSURE**

May 17, 2016

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

The First National Bank of Weatherford  
Charter Number 2477

220 Palo Pinto Street  
Weatherford, TX 76086

Office of the 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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

First National Bank of Weatherford's (FNB) Community Reinvestment Act (CRA) performance is satisfactory. We based our conclusion on FNB's lending practices. We evaluated these practices by reviewing a sample of the bank's primary loan products. The rating is based on the following findings:

- FNB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, local competition, and assessment area (AA) credit needs. The LTD ratio averaged 83.02 percent during the evaluation period.
- A majority of FNB's loans are located within the AA. Based on a sample of 60 loans, 78.33 percent of the number of loans and 62.57 percent of the dollar volume of loans were to borrowers within the AA.
- FNB has a reasonable penetration to borrowers of various income levels, and businesses of different sizes.
- FNB's geographic distribution of loans reflects an excellent dispersion throughout the AA.
- There were no complaints with respect to FNB's CRA performance.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNB using small bank performance criteria: LTD ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution, and responses to CRA-related complaints.

To evaluate FNB's lending performance, a random sample of loans was selected based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. Primary loan products during this evaluation period consisted of consumer and commercial real estate (RE) loans. The loan sample consisted of 30 consumer loans and 30 commercial RE loans originated between January 2013 and December 2015.

## DESCRIPTION OF INSTITUTION

FNB is a community bank in Weatherford, Texas, which is approximately 30 miles west of Fort Worth, Texas. The bank is wholly-owned by First Baird Bancshares. As of December 31, 2015, FNB had total assets of \$210 million, with 89 percent of total assets in the loan portfolio.

FNB is an intrastate bank with the main office and one branch located in Weatherford, Texas. The bank's primary loan products include commercial RE loans (by dollar of loans) and consumer loans (by number volume of loans). The following chart details a breakdown of FNB's loan portfolio as of December 31, 2015.

<b>Loan Portfolio Composition as of December 31, 2015</b>		
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	102,076	54.26
Commercial	39,326	20.90
1-4 Family	22,224	11.81
Consumer	7,125	3.79
Agriculture	8,376	4.45
Agriculture Real Estate	8,839	4.70
Other	160	0.09
<b>TOTAL</b>	<b>188,126</b>	<b>100.00%</b>

*Source: December 31, 2015 Call Report*

Bank lobby services at the main bank and branch are provided Monday through Friday from 9:00 AM to 4:00 PM, with hours extended to 6:00 PM on Friday. Drive-up facilities are available at both locations and operate Monday through Saturday. The bank provides traditional banking services, including a variety of loan and deposit accounts. FNB also offers online banking at [www.fnbweatherford.com](http://www.fnbweatherford.com). The online banking service provides access to account information, online transfers between accounts, and bill pay services. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination on April 26, 2010.

FNB's business strategy is to make loans that are mutually beneficial to the bank, its stockholders, and the bank's customers, while serving its primary trade area. No legal impediments or other factors hinder FNB's ability to provide credit in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF ASSESSMENT AREA

FNB has designated Parker County as its AA. Parker County is located directly to the west of Tarrant County and is part of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (MSA). Weatherford is the largest city and the county seat of Parker County. Specific demographic data and economic data for the AA are listed below.

<b>Demographic and Economic Characteristics of the Parker County AA</b>	
<i>Population</i>	
Number of Families	30,780
Number of Households	40,489
<i>Geographies</i>	
Number of Census Tracts	19
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	15.79%
% Middle-Income Census Tracts	57.89%
% Upper-Income Census Tracts	26.32%
<i>Median Family Income (MFI)</i>	
2010 Census MSA/MD MFI	64,976
2015 FFIEC Updated MSA/MD MFI	70,500
2014 FFIEC Updated MSA/MD MFI	68,700
2013 FFIEC Updated MSA/MD MFI	65,500
<i>Economic Indicators</i>	
Unemployment Rate	3.65%
2015 Median Housing Value	\$149,088
% of Households Below Poverty Level	10.34%

*Source: 2010 Census data.*

The AA consists of one whole county and does not arbitrarily exclude any low- or moderate-income geographies. There are 19 census tracts in the AA. Five census tracts are designated as upper-income, 11 as middle-income, and three are moderate-income. There are no low-income census tracts in the AA.

Based on 2010 Census data, the AA has a total population of 116,927. There are 44,324 housing units in the AA, of which 73 percent are owner-occupied, 18 percent are renter-occupied and 9 percent are vacant. Approximately 17 percent of the families in the AA are considered low-income. Moderate-income families approximate 17 percent of the population, while middle- and upper-income families comprise the remaining 66 percent.

Parker County's economy is robust and continues to grow in population and business activity. From the 2000 Census to the 2010 Census, the population of Parker County grew approximately 33 percent. The predominant economic activity in the AA is service-based businesses. The largest employers include Weatherford Independent School District, Weatherford Regional Medical Center, and Wal-Mart.

Competition is strong in the AA. There are 17 other commercial banks in the AA, many of them being branches of larger institutions. The AA also includes other competitors in the form of credit unions, investment firms, finance companies, and a branch of Lone Star Ag Credit.

An individual in the community was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions in meeting the credit needs of the community. The individual indicated that the local economy is primarily driven by residential construction. This individual indicated that the local financial institutions are doing a very good job meeting the community's credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate FNB's lending performance, a sample of 60 loans was reviewed. Primary loan products offered by the bank were sampled. The sample consisted of 30 consumer loans and 30 commercial RE loans. Based on the analysis, and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

### Loan-to-Deposit Ratio

FNB's LTD ratio is more than reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on FNB's quarterly average LTD ratio from June 30, 2010 through December 31, 2015 of 83.02 percent. During the evaluation period, FNB's LTD ratio ranged from a low of 65.59 percent to a high of 100.63 percent. The average LTD ratio of similarly situated banks within the assessment area for the same period was 62.09 percent. While competition in the AA is strong, FNB is one of only two chartered financial institutions in Parker County. To assess how well the bank meets the standards, we considered the chartered financial institutions of similar size in Parker County and the counties contiguous to Parker County. There are five other financial institutions chartered in the two contiguous counties.

The quarterly average LTD ratio for each similarly situated bank in or contiguous to the assessment area is listed below.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets</b>	<b>Average LTD</b>
<b>The First National Bank of Weatherford</b>	<b>209,527</b>	<b>83.02</b>
Texas Bank Financial	170,935	76.11
Worthington National Bank	201,837	82.11
The National Bank of Texas at Fort Worth	210,587	41.05
Trinity Bank, National Association	228,374	57.82
First National Bank of Burleson	185,153	51.10
First State Bank	195,606	64.34

*Source: Institution Reports of Condition from June 2010 to December 2015*

### Lending in Assessment Area

A majority of the bank’s loans were made within its AA. In order to assess the performance for this criteria, we reviewed 30 consumer loans and 30 commercial real estate loans that were originated between January 2013 and December 2015. Our assessment found that 78.33 percent of the number of loans and 62.57 percent of the dollar volume of loans were extended within the bank’s assessment area. The breakdown by loan category is illustrated in the following table.

<b>Lending in Parker County AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	26	86.67	4	13.33	30	318	74.82	107	25.18	425
Commercial RE	21	70.00	9	30.00	30	6,906	62.10	4,215	37.90	11,121
Total	47	78.33	13	21.67	60	7,224	62.57	4,322	37.43	11,546

*Source: Sample of loans used for CRA performance analysis*

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

FNB’s loan portfolio reflects a reasonable penetration among individuals of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. Our analysis reviewed income information of 21 commercial RE and 26 consumer loans in the AA.

Commercial RE Loans - Based on 2015 Business Demographic Data, there are 9,739 businesses with reported revenues located within the AA. Of this number, 83.79 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the commercial RE sample, 66.67 percent were to businesses reporting annual revenues below \$1 million. While the level is below the AA information, it still reflects a reasonable penetration of loans to small businesses. Commercial RE loans are typically made to large developers with higher annual gross revenues. While only 66.67 percent of loans were made to businesses with annual revenues below \$1 million, 95.24 percent of commercial RE loans sampled were made for amounts less than \$1 million. This indicates the bank's willingness to make loans of all sizes to businesses of different sizes. The following charts reflect the results of the sample of commercial RE loans originated in the AA.

<b>Borrower Distribution of Loans to Businesses in Parker County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.79	3.13	13.08	100%
% of Bank Loans in AA by #	66.67	33.33	0.00	100%
% of Bank Loans in AA by \$	33.48	66.52	0.00	100%

*Source: Loan sample; Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in Parker County AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$100,000	6	28.57	237	3.43
\$100,001 - \$250,000	8	38.10	1,385	20.05
\$250,001 - \$500,000	2	9.52	781	11.31
\$500,001 - \$1,000,000	4	19.05	2,504	36.25
Over \$1,000,000	1	4.76	2,000	28.96

Source: Loan sample.

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the AA. Based on 2010 Census information, 21.56 percent of households in the AA are low-income and 14.63 percent are moderate-income. Our review determined that 34.62 percent of consumer loans were made to low-income households and 30.77 percent were made to moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households.

<b>Borrower Distribution of Consumer Loans in Parker County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	21.56	34.62	14.63	30.77	17.53	11.54	46.27	23.08

Source: Loan sample; 2010 U.S. Census data.

### **Geographic Distribution of Loans**

FNB’s geographic loan distribution is excellent. Performance for commercial RE and consumer lending reflects an excellent dispersion throughout the AA. There were no gaps or areas of low penetration in the bank's lending patterns. Our analysis included 21 commercial RE loans and 26 consumer loans.

Commercial RE Loans - Geographic distribution of commercial loans in the AA is excellent. The geographic distribution of sampled commercial RE loans in moderate-income CTs is more than double the percentage of businesses in these areas. The percentage of businesses located in moderate-income CTs is 8.32 percent, and our loan sample reflected that 19.05 percent of business loans were located in moderate-income CTs. The following table summarizes the distribution of business loans by census tract income level.

Geographic Distribution of Loans to Businesses in Parker County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial RE Loans	0.00	0.00	8.32	19.05	57.40	23.81	34.28	57.14

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans - Geographic distribution of consumer loans in the AA is excellent. The geographic distribution of sampled consumer loans in moderate-income CTs is well above the percentage of households in these areas. In the AA, 12.77 percent of households are located in moderate-income CTs, and our sample reflected that 23.08 percent of consumer loans were located in moderate-income CTs. The following table summarizes the distribution of consumer loans by census tract income level.

Geographic Distribution of Consumer Loans in Parker County AA								
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 Loans	0.00	0.00	12.77	23.08	58.55	53.85	28.68	23.08

Source: Loan sample; 2010 U.S. Census data.

### Responses to Complaints

There have been no consumer complaints regarding FNB's performance under the Community Reinvestment Act during the evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.