



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 23, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Weatherford National Bank
Charter Number: 18280

101 North Main Street
Weatherford, TX 76086-0000

Office of the Comptroller of the Currency

FORT WORTH
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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Weatherford National Bank (WNB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 52 percent during the evaluation period.
- A substantial majority of WNB's loans were originated within the bank's assessment area (AA).
- WNB's distribution of loans to businesses with gross revenues of less than \$1 million is reasonable. The bank's overall distribution of home mortgage products to low- and moderate-income (LMI) families is reasonable when considering performance context issues.
- The bank's geographic distribution of business mortgage loans is reasonable. The bank's distribution of home mortgage loans to moderate-income geographies is reasonable when considering performance context issues.
- WNB's community development performance demonstrates adequate responsiveness to the community development needs of its AA.

Scope of Examination

WNB qualifies as an Intermediate Small Bank under the CRA regulation and is thus subject to a Lending Test and Community Development (CD) Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The CD test evaluates a bank's CD lending, qualified investments, and CD services.

The evaluation under the Lending Test covers loans originated over a three year period between January 1, 2006 and December 31, 2008. Performance under the Lending Test was assessed based on a review of WNB's residential real estate and commercial real estate mortgage loans. CD activities were evaluated over the period July 5, 2003 through February 23, 2009.

Description of Institution

WNB is an intrastate community bank located in the city of Weatherford in Parker County, Texas. Parker County has a population of approximately 88,500 people. WNB is a full-service bank offering traditional products and services. In addition to its main office at 101 North Main Street, in Weatherford, WNB operates five full-service branches and one motor bank throughout Parker County. All branches have an ATM facility. All bank locations are in middle- or upper-income census tracts (CTs), with the exception of the North Main branch and ATM, which is located in the AA's only moderate-income CT. There are no legal, financial or other factors impeding the bank's ability to help meet the credit and community development needs in its AA.

WNB is a wholly owned subsidiary of First Financial Bankshares, Inc. (FFBI), a multi-bank holding company headquartered in Abilene, Texas. FFBI owns nine other banks operating in Central, West, and North Texas. Consolidated holding company assets totaled \$3.1 billion as of September 30, 2008. A full range of credit products, depository accounts, trust services, and retail non-deposit investment services are offered throughout the company. WNB has no operating subsidiaries. Since the last evaluation period, WNB has opened a branch in Brock, Texas. It was opened on February 25, 2008 and is located at 1100 FM 1189 in Brock.

WNB reported total assets of \$332 million and total liabilities of \$304 million as of September 30, 2008. Total loans of \$156 million represent 47 percent of total assets. WNB's loan portfolio is diversified as follows:

Loan Portfolio Composition as of September 30, 2008		
Loan Category	\$(000)	%
Real Estate	118,107	76.0
Commercial & Industrial	18,897	12.1
Individual	9,757	6.3
Farm & Agricultural	6,741	4.3
Other	2,055	1.3
Total	\$155,557	100.00

Source: September 30, 2008 Report of Condition

WNB received an overall rating of "Satisfactory" during its previous CRA examination dated July 3, 2003, utilizing Large Bank CRA Procedures.

Description of Assessment Area

WNB has designated Parker County as its assessment area (AA). Parker County is part of the Fort Worth-Arlington, Texas Metropolitan Statistical Area (MSA). The AA comprises 13 census tracts: zero low-income, one moderate-income, ten middle-income, and two upper-income census tracts. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data for this area are listed below.

Demographic and Economic Characteristics of Assessment Area	
Population	
Total Population	88,495
Number of Families	24,461
Number of Households	31,151
Geographies	
Number of Census Tracts	13
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	7.69%
% Middle-Income Census Tracts	76.92%
% Upper-Income Census Tracts	15.38%
Median Family Income (MFI)	
2000 MFI for AA	\$52,992
2005 HUD-Adjusted MFI	\$60,500
Economic Indicators	
Unemployment Rate	2.06%
% Households Below Poverty Level	8.91%

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. Weatherford continues to grow in population and business activity. 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, Campbell Health System, Weatherford College, Wal-Mart Super Center, and Jamak Fabrication Inc.

Based on 2008 demographic data, the AA area has a total population of 88,495. There are 34,084 housing units in the AA, of which 74 percent are owner-occupied, 18 percent are renter-occupied, and 8 percent are vacant. Approximately 19 percent of the families in the AA are considered low-income. Moderate-income families approximate 20 percent of the population, middle-income families total 24 percent, and upper-income families comprise 37 percent of the population, respectively.

Based on 2008 business demographic data, there are 9,013 businesses in the AA. Of these businesses, 65 percent reported gross annual revenue less than \$1 million and 3

percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 32 percent of the businesses did not report revenues. Approximately 65 percent of businesses have less than ten employees, and 28 percent did not report number of employees.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is "**Satisfactory**".

Residential real estate lending and commercial real estate lending are the bank's primary business lines. Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

Loan-to-Deposit Ratio

WNB's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial performance, and the AA's credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to the community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The average LTD ratio for WNB averaged 52 percent over the last 22 quarters. This ratio ranged from a quarterly low of 45.18 percent as of September 30, 2007 to a quarterly high of 59.15 percent as of September 30, 2004.

The average LTD ratio of similarly situated banks within the AA during the evaluation period was 65 percent. Although WNB's LTD ratio is only average when compared to local competitors, WNB reflects a willingness to provide credit in light of mitigating factors. WNB sells a significant portion of its real estate mortgage loan portfolio to secondary market investors. During the period 2006 through 2008, WNB sold \$32 million in loans. These loans, if retained, would contribute to a higher LTD ratio. Also, during the same time period, the bank made 302 small consumer loans with original balances between \$1,000 and \$1,500, totaling \$112 thousand.

Lending in Assessment Area

WNB's lending in its AA reflects satisfactory performance. A substantial majority of the number and dollar amount of the residential real estate and commercial real estate mortgage loans were originated inside the bank's AA. As depicted in the table below, 88 percent of the number and 84 percent of the dollar amount of loans were originated in WNB's AA.

Table 1 - Lending in Parker County AA										
Loan Type	Number of Loans					Dollars of Loans \$000's				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	69	84%	13	16%	82	17,226	81%	3,932	19%	21,158
Home Improvement	134	94%	9	6%	143	4,609	96%	179	4%	4,788
Refinance	23	77%	7	23%	30	2,246	75%	749	25%	2,995
Commercial RE	17	85%	3	15%	20	8,157	87%	1,180	13%	9,337
Totals	243	88%	32	12%	275	32,238	84%	6,040	16%	38,278

Source: Data reported under HMDA, sample of CRE loans.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes and meets the standard for satisfactory performance. To perform our analysis we reviewed all HMDA-reported residential real estate loans and sampled 20 commercial real estate loans made during the evaluation period. Each product type was weighted equally in this evaluation. More detail on lending performance of each of the products is discussed below.

Residential Real Estate Lending

WNB's overall distribution of residential real estate loan products is satisfactory, particularly when considering that low-income families have a difficult time qualifying for conventional home mortgage products. Nine percent of the population in the bank's AA lives below the poverty level.

WNB's distribution of residential real estate loan products to low-income families reflects poor penetration, as the percentage of the number and amount of bank loans made to low-income families is significantly less than the percentage of low-income families in the AA. Performance in this area needs to improve.

The bank's distribution of residential real estate loan products to moderate-income families also reflects poor penetration, as the percentage of the number of the bank's

home mortgage products made to moderate-income families is significantly less than the percentage of moderate-income families in the AA. Performance in this area needs to improve.

WNB's distribution of residential real estate loan products to middle-income families reflects satisfactory penetration, as the percentage of the number of the bank's residential real estate loan products originated reasonably penetrates the percentage of middle-income families in the AA.

WNB currently offers an in-house affordable residential mortgage lending program. This program targets applicants who make less than 80 percent of the median income for the AA. The program has flexible down payment and closing costs. Since the prior CRA examination, the bank has had very little activity with management citing a lack in the supply of quality affordable housing.

Multiple Listing Service (MLS) data obtained during the examination only listed nine homes available for sale at \$75 thousand and below in Weatherford. Additionally, the value of homes in Weatherford has significantly increased over the last ten years as it is becoming a suburban option to urban living. These facts would have an adverse effect on the amount of residential real estate lending to LMI families.

WNB's willingness to provide credit to its AA is also evidenced, in part, by the number of small consumer loans originated during our evaluation period. Management reports that there is no minimum loan amount in the loan policy. For the years 2006, 2007 and 2008 the bank made 302 loans with originating balances between \$1,000 and \$1,500, totaling \$112 thousand.

During the evaluation period, WNB also provided funding for the purchase of seven lots in nearby Mineral Wells, Texas, and interim construction financing for homes on three of those lots. These homes were in the \$70 thousand price range, and were targeted to LMI families. While Mineral Wells is not located in WNB's AA, this further exhibits WNB's willingness to meet the credit needs of LMI families, especially if more opportunities existed in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Purchase	18.97	0.00	20.20	8.51	24.16	8.51	36.66	53.19
Home Improvement	18.97	9.57	20.20	17.39	24.16	23.48	36.66	47.83
Refinance	18.97	7.14	20.20	0.00	24.16	28.57	36.66	57.14
Average	18.97	5.57%	20.20	8.63%	24.16	20.19%	36.66	52.72%

Source: HMDA LAR

Commercial Real Estate Lending

The distribution of commercial real estate mortgage loans reflects reasonable penetration among businesses of different sizes and exceeds the standards for satisfactory performance. During the evaluation period, ninety percent of the number of loans were made to businesses with revenues of less than \$1 million, and 84 percent of the dollar amount of the loans were made to businesses with less than \$1 million in revenues.

Table 2A - Borrower Distribution of Loans to Businesses in Parker County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.64	3.07	33.29	100%
% of Bank Loans in AA by #	90%	10%	-	100%
% of Bank Loans in AA by \$	84%	16%	-	100%

Source: CRE loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

WNB’s loan distribution to geographies of different income levels meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the AA.

WNB’s lending efforts reasonably penetrate the geographies of different income levels. The results of our analysis are illustrated in the following table.

The geographical distribution of residential real estate loans in the AA shows reasonable penetration and meets the standards for satisfactory performance.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Parker County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	5.90	12.77	71.93	72.34	22.18	14.89
Home Improvement	0.00	0.00	5.90	5.22	71.93	68.70	22.18	26.08
Refinance	0.00	0.00	5.90	21.43	71.93	71.43	22.18	7.14
Average	0.00	0.00	5.90	13.14	71.93	70.82	22.18	16.04

Source: Data reported under HMDA; U.S. Census data.

The geographical distribution of commercial real estate mortgage loans represents a reasonable penetration and meets the standards for satisfactory performance. The results of our analysis are illustrated in the following table.

Table 3A - Geographic Distribution of Loans to Businesses in Parker County AA								
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 RE Loans	0.00	0.00	4.41	5%	73.11	65%	22.48	30%

Source: CRE loan sample; Dun & Bradstreet data.

Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Community Development Loans

WNB did not originate any CD loans.

Qualified Investments

Qualifying investments include investments, deposits, membership shares, or grants that have as their primary purpose CD. CD investment activity is adequate. During the evaluation period, WNB made \$354 thousand in qualified investments. The last CRA Performance Evaluation performed in 2003 indicated a total of \$234 thousand in qualified investments.

Bank management invested in two organizations that qualify for CRA credit. The largest of the bank's qualified investments is in the CRA Qualified Investment Fund. This fund invests in affordable housing for LMI families throughout the United States. The total investment in the fund is \$349 thousand, of which, \$277 thousand was extended as residential real estate loans to 3 LMI families in the AA.

Another qualified investment was to the local affiliate of Habitat for Humanity (Habitat). Over the evaluation period, management contributed a total of \$5 thousand to Habitat. The contributed funds were used to assist in building quality affordable houses for low-income families. Bank employees also contribute personal time and effort to build the houses.

Community Development Services/Responsiveness to Community Development Needs

The level of CD services provided reflects adequate responsiveness. WNB is active in the community and provides services that benefit LMI individuals and families.

WNB has initiated an affordable home purchase program. This is targeted to the LMI populations. If a borrower has an income level below the three year average median household income for the AA, then they qualify for this program. With this program, the bank will finance 100 percent, but the borrower must pay normal closing costs. No loans were made using this program during the evaluation period.

WNB's AA contains one moderate-income CT. Management does strive to ensure that the needs of the communities it serves, including LMI families, are met through the various bank products and services. This is accomplished through the bank's branches and ATMs located throughout the AA, including a branch and ATM located in the moderate-income CT.

Services at the full service branches are available to LMI individuals. Services provided include low-cost checking and savings accounts. Business hours and services are convenient and are accessible to all segments of the AA.

WNB's staff has been active during the evaluation period volunteering at various organizations throughout the communities it serves. The staff volunteers time, as well as serving in advisory capacities on various CD committees and non-profit organizations that benefit LMI families.

During the evaluation period, bank staff initiated a financial literacy town meeting in conjunction with the Weatherford Independent School District. This seminar was targeted to LMI individuals throughout the AA, and was presented in both English and Spanish. The seminar was taught by bank officers and strived to inform the participants on managing a basic checking account, as well as the fundamentals of borrowing from a bank to purchase a home.

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.