



PUBLIC DISCLOSURE

November 2, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Dublin
Charter Number 20026

825 North Patrick
Dublin, TX 76446

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

The First National Bank of Dublin, Dublin, Texas (FNB, or bank) has a Satisfactory record of meeting community credit needs. The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are within the bank's assessment area (AA).
- FNB's distribution of loans to businesses and farms of different sizes exhibits an excellent penetration. The bank's distribution of consumer loans to low- and moderate-income (LMI) borrowers is excellent.
- The bank's geographic distribution of consumer loans to the moderate-income census tract reflects excellent dispersion. FNB's distribution of loans to businesses and farms located in the moderate-income geography is excellent.

SCOPE OF EXAMINATION

An onsite examination of FNB was conducted to assess its performance under the CRA small bank performance criteria. This performance evaluation (PE) starts from the date of the bank's previous CRA examination, covering the period from February 7, 2011 to November 2, 2015.

We identified agriculture and livestock loans (mortgage and production), commercial and commercial real estate loans, and consumer loans as the bank's primary loan products. They are hereafter referred to as farm loans, business loans and consumer loans, respectively. The loan data information used for the performance evaluation covered the period of January 1, 2013 through September 30, 2015. To evaluate FNB's performance, we selected a random sample of 20 loans from each of the three categories that were originated during this timeframe. FNB purchased no loans during the evaluation period. FNB is not subject to the Home Mortgage Disclosure Act filing requirements. We used the entire population of originated loans to complete Table 1 in this PE.

Management did not request a review of its investments and services, nor did examiners identify any discriminatory or illegal credit practices that affected the overall rating.

DESCRIPTION OF INSTITUTION

FNB is a full-service community bank located in Dublin, Texas, which is 76 miles southwest of Fort Worth. It is wholly-owned by Dublin Bancshares, Inc., a one-bank holding company. The previous CRA evaluation, dated February 7, 2011, assigned a "Satisfactory" rating to the bank.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AA. The bank offers a full-range of loan and deposit services.

As of September 30, 2015, net loans were 68 percent of FNB's total assets of \$87 million. The following table is a summary of FNB's loan portfolio:

First National Bank of Dublin Loan Portfolio Summary		
Loan Category	Dollar Volume (in thousands)	Percentage
Agriculture and Livestock – Mortgage and Production	32,818	55%
Commercial and Commercial Real Estate	14,299	24%
Consumer	6,671	11%
Residential Real Estate	5,234	9%
Construction and Other	305	1%
Total Loans	59,327	100.00%

Source: September 30, 2015 Report of Condition.

The bank maintains two branch offices and a main office, located in De Leon, Gustine and Dublin, respectively. The branches are located in Comanche County and the main office in Erath County. The De Leon branch is located in a moderate-income census tract (CT) and the other two offices are in middle-income CTs. The two middle-income CTs where the bank has offices are located in areas designated as distressed by the federal banking agencies.

All offices are located in areas that make them accessible to bank customers. The main office and the De Leon branch each have multi-lane drive-up facilities with an ATM. Saturday hours for the drive-up are available at the main office.

FNB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners, farmers, and livestock operators throughout the bank's AA. FNB offers on-line banking through its web site, www.bankingfnb.com. Telephone banking in English and Spanish is available. ATM services are available in English, Spanish and Dutch. Each bank location has employees who speak Spanish. FNB offers personal loans of \$1,000 or less to qualified customers as an alternative to payday lenders.

DESCRIPTION OF ASSESSMENT AREA

The AA includes all of Comanche and Erath Counties, which are comprised of four CTs and eight CTs, respectively. Comanche County has one moderate-income CT and three middle-income CTs. Erath County has four middle-income CTs and four upper-income CTs. Per the 2015 Federal Financial Institutions Examination Council's list of distressed or underserved nonmetropolitan middle-income geographies, all seven of the middle-income CTs are classified as distressed based on their poverty levels.

The bank has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole CTs, does not arbitrarily exclude LMI CTs, and includes the CTs where the bank offices are located and the majority of its loans are originated. The AA meets requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any LMI geographies.

FNB offers a full-range of loan and deposit services. Competition in the AA is high with ten total FDIC-insured depository institutions operating 20 offices. As of June 30, 2015, FNB's deposits in the AA totaled \$77 million, which is 8.44 percent of the market. The bank's deposits rank fifth out of ten depository institutions; the top three depository institutions account for 58.93 percent of total deposits in the AA. The top three depository institutions include First Financial Bank, National Association; The Comanche National Bank; and InterBank.

With the exception of Tarleton State University in Stephenville, Texas, the AA is primarily directly or indirectly dependent on the agriculture industry. Stephenville is a much larger community (a population of 17,123 at the 2010 Census) and has a more diverse economy. The largest employers in that area include Tarleton State University,

FMC Technologies, Saint Gobain Abrasives, Texas Health Resources, Stephenville Independent School District and Wal-Mart. The cities of Dublin (population 3,654), Comanche (population 4,335) and De Leon (population 2,246) are more dependent on the agriculture industry. The largest employers in these areas include the local governments, local ISDs and various medical facilities. Dublin is home to five museums and the nation's first Dr. Pepper bottling plant that ceased its affiliation with Dr. Pepper in 2012. The owners continue to operate Dublin Bottling Works, bottling and selling their own line of fountain drinks.

The following table provides a description of the AA based on 2010 census data, U.S. Department of Housing and Urban Development (HUD) information, and the Bureau of Labor Statistics. Although the unemployment rates of Comanche and Erath counties of 4.2 percent and 3.8 percent, respectively, are less than the State of Texas (4.4 percent) and the U.S. (5.1 percent), 20 percent of the of the AA's households live below the federal poverty level and just under 40 percent of families are LMI.

Demographic and Economic Characteristics of the FNB Dublin AA	
<i>Population</i>	
Total Population	51,864
Number of Families	12,472
% LMI Families	38.06%
Number of Households	19,120
% Persons Over 65	14.40%
<i>Businesses and Farms</i>	
Number of Businesses and Farms	4,195
Businesses and Farms with less than five employees	73.23%
Businesses and Farms with less than \$500,000 annual revenue	76.97%
<i>Geographies</i>	
Number of Census Tracts	12
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	8.33%
% Middle-Income Census Tracts	58.34%
% Upper-Income Census Tracts	33.33%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$50,681
2014 HUD-Adjusted MFI	\$52,800
<i>Economic Indicators</i>	
Unemployment Rate	
Comanche County	4.2%
Erath County	3.8%
% Households Receiving Social Security	30.96%
% Households Retired	14.47%
% Households Below Poverty Level	20.35%
Median Housing Value	\$109,089

Source: 2010 Census data, HUD updated income data and Bureau of Labor Statistics.

Information from bank management and a community contact indicate that the local economic conditions are improving, as the drought conditions in the area have subsided with the abundance of rain over the past year. The area lakes are full, water sources are abundant, and there is much improvement in agriculture production and cattle operations. The primary credit needs in the AA are small business startup agricultural-related lending, improvement of existing older houses, and small consumer loans for LMI borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB’s performance under the Lending Test is “**Satisfactory.**”

Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given the bank’s size, location, local competition, and the credit needs of the AA. This determination is based on the quarterly average LTD ratio of 76.6 percent from March 31, 2011 through June 30, 2015. During this evaluation period, FNB’s LTD ratio ranged from a low of 66.6 percent to a high of 83.5 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSI). All are community banks with less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AA.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000’s) (As of 6/30/2015)	Average Loan-to- Deposit Ratio
First National Bank of Dublin	85,062	76.6%
The Comanche National Bank	329,776	39.5%
Texas Bank	409,691	81.8%
Farmers and Merchants Bank	77,183	51.0%
The Dublin National Bank	35,476	35.6%

Source: Institution Reports of Condition from March 31, 2011 to June 30, 2015.

Lending in Assessment Area

A majority of the number and dollar amount of FNB’s loans were originated inside its AA. As depicted in Table 1 (\$000s omitted), 83.65 percent of the number and 76.93 percent of the dollar amount of loans were originated inside the AA.

Table 1 - Lending in FNB Dublin AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	286	84.87	51	15.13	337	8,997	84.53	1,647	15.47	10,644
Farm	413	79.58	106	20.42	519	17,980	71.96	7,006	28.04	24,986
Consumer	764	85.55	129	14.45	893	4,804	84.56	877	15.44	5,681
Total	1,463	83.65	286	16.35	1,749	31,781	76.93	9,530	23.07	41,311

Source: Aggregate bank data.

As noted in the Scope of Examination section above, we used the entire population of loans originated during the evaluation period to complete Table 1.

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

FNB's distribution of loans to businesses and farms of different sizes exhibits an excellent penetration. The bank's distribution of consumer loans to LMI borrowers is excellent.

In our analysis, we considered a sample of 20 business loans FNB originated inside the AA from January 1, 2013 through September 30, 2015. We also analyzed 20 farm loans and 20 consumer loans originated within the AA during the same period.

Business Loans

As illustrated in Table 2A, the percentage of loans by number to small businesses (90.00 percent) exceeds the percentage of small businesses in the AA (78.93 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (15.41 percent) was below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

Table 2A - Borrower Distribution of Loans to Businesses in FNB Dublin AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.93	3.68	17.39	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	15.41	84.59	0.00	100%

Source: Sample of loans; Dun and Bradstreet data.

As detailed in Table 2C, 85.00 percent of the number of loans to businesses originated by FNB were in amounts of \$100,000 or less. Loan size often loosely correlates to the size of the business.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in FNB Dublin AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	17	85.00	322	11.61
\$100,001 - \$250,000	1	5.00	105	3.80
\$250,001 - \$500,000	1	5.00	444	16.02
\$500,001 - \$1,000,000	0	0.00	0	0.00
Over \$1,000,000	1	5.00	1,900	68.57

Source: Sample of loans.

Farm Loans

As shown in Table 2A1 below, the percentage of loans by number to small farms (100.00 percent) exceeds the percentage of small farms in the AA (95.50 percent). A small farm is defined as a farm with revenues of \$1 million or less. This is indicative of a bank successfully servicing the credit needs of small farms.

Table 2A1 - Borrower Distribution of Loans to Farms in FNB Dublin AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	95.50	3.06	1.44	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: Sample of loans; Dun and Bradstreet data.

As detailed in Table 2D, 95 percent of the number of loans to farms originated by FNB were in amounts of \$100,000 or less. Loan size often loosely correlates to the size of the farm.

Table 2D - Borrower Distribution of Loans to Farms by Loan Size in FNB Dublin AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	19	95.00	575	84.73
\$100,001 - \$250,000	1	5.00	103	15.27
\$250,001 - \$500,000	0	0.00	0	0.00
Over \$500,000	0	0.00	0	0.00

Source: Sample of loans.

Consumer Loans

As shown in Table 2B, FNB's distribution of consumer loans among LMI borrowers is excellent. The percentage of the bank's loans to low-income borrowers (30.00 percent) exceeds the percentage of households in the AA in the low-income category (25.10

percent). The comparison of lending to moderate-income borrowers (30.00 percent) exceeds the percentage of moderate-income households in the AA (15.56 percent).

Table 2B - Borrower Distribution of Consumer Loans in FNB Dublin AA								
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	25.10	30.00	15.56	30.00	18.92	25.00	40.42	15.00

Source: Sample of loans; U.S. Census data.

Geographic Distribution of Loans

FNB’s geographic distribution of business, farm and consumer loans to its sole moderate-income census tract (the AA contains no low-income tracts) reflects excellent dispersion and demonstrates a pattern indicative of an institution seeking to service the credit needs of its AA. We did not identify any lending gaps in our analysis of lending in the AA.

Business Loans

Table 3A compares the bank’s lending in the different income census tracts to the percent of businesses located in those geographies. The volume of FNB’s business loans in the moderate-income census tract (40.00 percent of business loans) exceeds the percent of businesses in the tract (8.85 percent). This is an excellent distribution of business loans to the moderate-income census tract in the AA.

Table 3A - Geographic Distribution of Loans to Businesses in FNB Dublin 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
Businesses	0.00	0.00	8.85	40.00	60.82	55.00	30.33	5.00

Source: Sample of loans; D & B data.

Farm Loans

Table 3A1 compares the bank’s lending in the different income census tracts to the percent of farms located in those geographies. The volume of FNB’s farm loans in the moderate-income census tract (30.00 percent of farm loans) exceeds the percent of farms in the tract (14.77 percent).

Table 3A1 - Geographic Distribution of Loans to Farms in FNB Dublin AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	14.77	30.00	55.50	70.00	29.73	0.00

Source: Sample of loans; D & B data.

Consumer Loans

Table 3B illustrates the extent to which the bank’s lending in the moderate-income census tract (40.00 percent of consumer loans) exceeds the percentage of households in the moderate-income geography (9.05 percent). This is an excellent distribution of consumer loans to the moderate-income census tract in the AA.

Table 3B - Geographic Distribution of Consumer Loans in FNB Dublin AA								
Census Tract 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	0.00	0.00	9.05	40.00	57.93	55.00	33.02	5.00

Source: Sample of loans; U.S. Census data.

Responses to Complaints

FNB has not received any complaints regarding its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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