
Comptroller of the Currency
Administrator of National Banks

Small Bank

Southwestern District
500 North Akard, Suite 1600
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

June 12, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Dublin

**Charter Number 20026
825 North Patrick
Dublin, Texas 76446**

**Office of the Comptroller of the Currency
500 North Akard, Suite 1600
Dallas, Texas 75201-3394**

NOTE: 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 Dublin, Dublin, Texas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 12, 2000. 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 Satisfactory.

FNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area. The bank was assigned a rating of "Satisfactory" during the last CRA examination dated May 22, 1996.

- The loan-to-deposit (LTD) ratio is very good. The LTD ratio has averaged 61% since our last CRA examination, the highest among the banks based in its assessment area. FNB has historically been above area banks that have averaged a 44% LTD ratio since December 1996. The bank's LTD ratio has remained fairly steady; it was 62% as of May 31, 2000.
- A substantial majority of FNB's loans are within its assessment area. Based on a sample of consumer, residential real estate, agricultural, and commercial loans originated since our last CRA examination, 93% of the number and 90% of the dollar volume of loans are in the assessment area.
- The distribution of loans to individuals of varying incomes and to small businesses and farms of different sizes reflects a reasonable penetration.
- Geographic distribution of credit reflects a reasonable dispersion throughout the assessment area.
- There have been no complaints with respect to FNB's CRA performance.

DESCRIPTION OF INSTITUTION

First National Bank of Dublin is headquartered in Dublin, Texas, approximately 70 miles southwest of Fort Worth, Texas. FNB has total assets of \$56 million and two branches as of March 31, 2000. The branches are located in DeLeon, 12 miles west of Dublin, and in Gustine, 20 miles south of Dublin. Drive-thru service and an ATM is at the main office in Dublin and at the DeLeon branch; the Gustine branch has neither. Hours of operation are commensurate with those other area banks. None of the bank's locations are in a Metropolitan Statistical Area (MSA).

The bank's primary business focus is agricultural lending, with emphasis on lending to the dairy industry and related markets. The ratio of net loans to total assets at March 31, 2000 is 59%. Note the following distribution as of March 31, 2000:

First National Bank of Dublin		
Loan Type	Amount (000's)	% of Total
Agricultural Production	9750	29.76
Agricultural Real Estate	2704	8.25
Commercial and Industrial	6086	18.57
Residential Real Estate	3758	11.47
Nonfarm Nonresidential Real Estate	1926	5.88
Consumer	7885	24.06
Other	659	2.01
Total	32768	100.00

FNB is wholly owned by Dublin Bancshares, Inc., a one-bank holding company based in Dublin, which is owned and controlled by the Leatherwood Family. Since the last CRA evaluation, FNB merged with the former affiliate, The First State Bank DeLeon/Gustine on January 1, 1997. As a result of this merger, FNB gained two additional locations and the assessment area was expanded to include Comanche County. There are no legal or financial impediments to the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The assessment area for First National Bank of Dublin (FNB) consists of the two adjoining counties of Erath and Comanche which contain a total of twelve block numbering areas (BNAs). Two or 17% are classified as moderate-income, seven or 58% are classified as middle-income, and three or 25% are classified as upper-income. There are no low-income BNAs in FNB's assessment area. This designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The Texas statewide median family income (MFI) for 1999 as updated by the U.S. Department of Housing and Urban Development (HUD) is \$33,900. The distribution of families

by income levels in the assessment area shows that 20% are low-income, 18% are moderate-income, 19% are middle-income and 43% are upper-income. Below poverty level households amount to 23% of all households. Total population is 41,372 as noted in the 1990 U.S. Census. The median housing value is \$42,384, and 56% of the 16,196 households are owner-occupied.

Competitors include five independent community banks based in Dublin, Stephenville, DeLeon, and Comanche, Texas. Other competitors include branches of out-of-area institutions or multinational banks that are located in the assessment area.

Examiners conducted two community contacts. One organization is a public housing entity, which indicated a need for increased lending to businesses to promote job creation. The entity's representative also indicated some low demand for public housing based on vacancies in the local project. The other organization is a local title company, which voiced the same need for business lending, in addition to loans for affordable housing and farm ownership loans. Neither was aware of any specific investment or community development lending opportunities.

ERATH COUNTY

Erath County is predominately rural with a significant concentration in the dairy industry. It is located about 55 miles southwest of Fort Worth, Texas. Based on the 1990 U.S. Census, the population of Erath County was 27,991 with the majority of the people in Stephenville, the county seat. Demographic data projects continued population growth, primarily in manufacturing, construction and agriculture. Major agriculture segments are the dairy industry, followed by farming and cattle ranching. Erath County is the highest milk-producing county in the state of Texas. Employment is led by the manufacturing industry, which is largely based in Stephenville, followed by the dairy, education, and retail sectors. Major employers include Tarleton State University, FMC Corporation, Norton, Inc., Apple Electric and WalMart. The economy has been stable to active, and unemployment has been declining over the last few years. Erath County's unemployment for 1999 was 2.8%; for May, 2000, it stood at 1.9%.

COMANCHE COUNTY

Comanche County is predominately rural with a significant concentration in the dairy industry. It is located about 80 miles southwest of Fort Worth, Texas. Based on the 1990 U.S. Census, the population of Comanche County was 13,381 with the majority of the people being in the two largest cities of Comanche, the county seat, and DeLeon. Demographic data projects continued population growth, primarily in the retail and agriculture areas. Major agriculture segments are the dairy industry, followed by cattle ranching and farming. Comanche County is the third highest milk-producing county in the state of Texas. Employment is led by agriculture, followed by the retail sector. Major employers include Gore Brothers Dairy & Feed Mill, Bayer Motor Company, DeLeon Hospital, CM Caraway & Sons Feed Mill, and Crown Pump. The economy has been stable to active, and unemployment has

been declining over the last few years. Comanche County's unemployment for 1999 was 3.7%; for May, 2000, it stood at 2.4%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

FNB's quarterly loan-to-deposit (LTD) ratio has averaged 67% for the 16 quarters since the last CRA evaluation. In view of the bank's size, financial condition, and assessment area credit needs, FNB exceeds the standards for satisfactory performance. We compared FNB's quarterly LTD ratio to a peer group, which consists of state- and national-chartered banks headquartered in either Erath or Comanche counties, and with total assets of less than \$150 million. The time period of comparison to the peer group was the 14 quarters from December 1996 to March 2000 because of a lack of information earlier than December 1996 for the other banks.

Lending in Assessment Area (AA)

FNB's lending in its AA meets the standard for satisfactory performance. The bank has made a substantial majority of its loans in its AA, based on a review of samples of FNB's three major loan types. We reviewed 20 agricultural, 20 consumer, and 20 residential real estate loans made since the prior CRA evaluation. For all loans combined, 93% of the number and 90% of the loan dollars were made in the AA. For each loan type at least 90% of the number of loans and 88% of the loan dollars were made in the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's record of lending to borrowers of different income levels meets the standard for satisfactory performance, based on a reasonable distribution of personal and residential loans among individuals of various income levels, and a reasonable dispersion of agricultural loans to farming and ranching operations of different sizes. Loans made since the prior CRA evaluation until June 12, 2000 were considered.

Note the following distribution of consumer and residential loans made since the prior CRA evaluation up through the date of this CRA evaluation:

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total # of Families	
Area Demographic Characteristics*	20.4%		17.9%		19.2%		42.5%		100.0%	
# of Families*	2,234		1,954		2,103		4,658		10,949	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	6	33.3	3	16.7	6	33.3	3	16.7	18	100.0
Residential Real Estate	0	0.0	4	21.1	5	26.3	10	52.6	19	100.0
Total	6	16.2	7	18.9	11	29.7	13	35.1	37	100.0

*1990 U.S.Census Bureau

The lack of penetration in home loans to low-income families is due primarily to low demand for affordable homes, which was voiced during a community contact. Consumer loan penetration is good as it approximates or exceeds the comparable demographic for low-income and moderate-income families.

Lending to Agribusinesses of Different Sizes						
Gross Revenues	Less than 1,000,000			Over 1,000,000		Total
Area Demographic Characteristics*	96.5%			3.5%		100.0%
# of Agribusinesses*	334			12		350
		%		%		%
Farms & Ranches #'s	16	84.2	3	15.8	19	100.0
Farms & Ranches \$'s (000's)	692	65.4	367	34.6	1,059	100.0

*1999 Dun & Bradstreet Business Demographic Data

FNB's lending to agricultural businesses with revenues less than \$1 million is less than the demographic distribution shows. The bank's lending is considered reasonable because of the assessment area's high dependence on the dairy industry, which has undergone some consolidation toward larger, more

profitable operations.

Geographic Distribution of Loans

The geographic distribution of consumer, residential and agricultural credit is reasonable. Comparisons of the lending volume were made based on the distribution of BNA income levels as stated under the Description of the Assessment Area. The distribution of the consumer loan sample equals the comparable demographics. The distribution of the residential sample is lower than the comparable demographics at 5.3% and it reflects few opportunities in the one urban BNA and one rural BNA. The distribution of agricultural loans is also 5.3%, but this is reasonable since only one out of eight rural area BNAs is moderate-income, and the rural BNAs generally surround the cities, where the other moderate-income BNA is located.

Response to Complaints

The bank has not received any complaints related to its CRA performance.

Record of Compliance with Antidiscrimination Laws

A fair lending examination was conducted as part of a compliance examination of FNB. At this CRA examination, we used alternative fair lending procedures. This entailed a review of a sample of ten diverse approved and denied loan applications and a review of the bank's policy, procedures, and practices. We noted no substantive violations of antidiscrimination laws and regulations. However, technical violations of the Equal Credit Opportunity Act were noted. Bank management implemented satisfactory corrective action during this examination. Management and staff have an adequate level of knowledge of the substantive provisions of fair lending laws and regulations.