



## **PUBLIC DISCLOSURE**

July 03, 2017

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

The Dublin National Bank  
Charter Number 4865

128 South Patrick Street  
Dublin, TX 76446

Office of the Comptroller of the Currency

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 Dublin National Bank's (DNB) Community Reinvestment Act (CRA) performance rating is satisfactory and reflects the bank's appropriate response to the lending test within the bank's assessment areas. Factors in consideration are as follows:

- The bank's loan-to-deposit (LTD) ratio is less than reasonable given the bank's size, financial performance, local competition, and credit needs of the assessment area (AA).
- A substantial majority of loans were made inside the bank's AA.
- The distribution of loans reflects excellent penetration to borrowers of various income levels and businesses of different sizes.
- There were no complaints with respect to DNBs CRA performance

## **SCOPE OF EXAMINATION**

CRA evaluation for DNB was conducted using the Small Bank examination procedures, which focus on the lending test. We used the lending test to evaluate the bank's record of meeting the credit needs of its AA through its lending activities. Our testing period covered DNB's performance from January 1, 2012 through March 31, 2017 (the evaluation period). We reviewed a sample of 23 Consumer – Auto loans and 23 General Commercial and Industrial loans originated since January 1, 2015. This sample represented DNB's primary loan products during the evaluation period.

## **DESCRIPTION OF INSTITUTION**

DNB is located in Dublin, Erath County, Texas, approximately 70 miles southwest of Fort Worth, Texas and 12 miles southwest of Stephenville, Texas. DNB serves the community from its one location. As of March 31, 2017, the bank's total assets were \$30.6 million, total loans were \$6.3 million, and total deposits were \$26.9 million. Drive-thru and ATM services are provided. Hours of operation are commensurate with other area banks. The bank's strategy is to offer a wide range of loan products and deposit services, with an emphasis on consumer, commercial, and agriculture related loans. The bank deemphasized residential real estate lending and originated very few new 1-4 Family mortgages during the evaluation period. The following table reflects the loan portfolio as of March 31, 2017:

| <b>Loan Portfolio Composition as of March 31, 2017</b> |                |               |
|--------------------------------------------------------|----------------|---------------|
| <b>Loan Category</b>                                   | <b>\$(000)</b> | <b>%</b>      |
| Farm Land                                              | 1,505          | 23.97%        |
| Nonfarm Nonresidential RE                              | 1,054          | 16.79%        |
| Commercial & Industrial                                | 1,037          | 16.52%        |
| Agriculture Product / Loan to Farmers                  | 777            | 12.37%        |
| Consumer & Other                                       | 775            | 12.34%        |
| Residential Real Estate                                | 675            | 10.75%        |
| Consumer Auto                                          | 456            | 7.26%         |
| <b>Total</b>                                           | <b>\$6,279</b> | <b>100.0%</b> |

*Source: Data collected from the bank.*

DNB is not located in a Metropolitan Statistical Area (MSA). There is strong competition from other area community banks, regional banks, credit unions, and other non-financial institutions in Erath County. DNB has no impediments, legal or otherwise, which would hinder the bank's ability to help meet the credit needs of its AA.

The most recent CRA examination was performed as of March 5, 2012. The bank received a satisfactory rating at that examination.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

DNB has defined its assessment area AA as Erath County. The AA consists of eight census tracts (CTs). The AA is not in an MSA. All of the CTs that make up the AA are designated as middle-income (50%) or upper-income (50%) tracts. Dublin, located in southwestern Erath County, is the second largest community within the AA behind the city of Stephenville. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas. Specific demographic and economic data for this area are listed below.

| <b>Demographic and Economic Characteristics<br/>of the Erath County AA</b> |           |
|----------------------------------------------------------------------------|-----------|
| <i>Population</i>                                                          |           |
| Total Population                                                           | 37,890    |
| Number of Families                                                         | 8,836     |
| Number of Households                                                       | 13,877    |
| <i>Geographies</i>                                                         |           |
| Number of Census Tracts/BNA                                                | 8         |
| % Low-Income Census Tracts/BNA                                             | 0%        |
| % Moderate-Income Census Tracts/BNA                                        | 0%        |
| % Middle-Income Census Tracts/BNA                                          | 50%       |
| % Upper-Income Census Tracts/BNA                                           | 50%       |
| <i>Median Family Income (MFI)</i>                                          |           |
| 2010 Weighted Average for Median Family Income                             | \$52,610  |
| 2010 Census Bureau Estimated Median Family Income                          | \$47,817  |
| <i>Economic Indicators</i>                                                 |           |
| Unemployment Rate                                                          | 3.76%     |
| 2010 Median Housing Value                                                  | \$119,967 |
| % of Households – Social Security                                          | 25.69%    |
| % of Households Below Poverty Level                                        | 20.75%    |

Source: 2010 US Census.

The primary credit needs of the community are small business loans, agricultural loans, single-family housing loans, both purchase money and home improvement loans and consumer-related loans.

The local economy in Erath County is generally stable. With the exception of Tarleton State University in Stephenville, Texas, the AA is directly or indirectly dependent on the agriculture industry. Stephenville and Dublin are the only incorporated towns in Erath County. There are several other unincorporated communities within the county. Stephenville is the largest community in the county and has a more diverse economy. The largest employers in the Stephenville area include Tarleton State University, TechnipFMC (formerly FMC Technologies), Saint Gobain Abrasives, the local independent school district (ISD) and Wal-Mart. Dublin and other smaller communities are more dependent on the agriculture industry. The largest employers in these areas include the local governments, local ISDs and some retail facilities. One major employer in Dublin, The Dublin Bottling Works, Inc., formerly the Dr. Pepper Bottling Company, down-sized in 2012. Since this time, they have been diligently rebranding their products and increasing their markets.

We conducted a community contact interview with the Dublin Economic Development Corporation. The contact reported the Dublin economy was stagnant and had been negatively impacted by the loss of jobs related to the Dublin Bottling Works down-sizing.

The contact also stated that the area financial institutions are doing a good job of meeting commercial, residential real estate, and consumer credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

DNBs LTD ratio is less than reasonable given the bank’s size, financial performance, local competition, and credit needs of the AA.

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 quarterly LTD ratio for DNB was 28.08 percent. This ratio ranged from a low of 20.13 percent as of December 31, 2015 to a high of 44.82 percent as of March 31, 2012. Since the quarterly low point, management has taken measures to increase the volume of loans and the LTD ratio trend is increasing. As of June 30, 2017, the ratio is back up to 28.32 percent.

The overall quarterly average LTD ratio of similarly-situated banks located within or contiguous to Erath County was 53.90 percent and had a range of 39.19 percent to 78.45 percent.

### Lending in Assessment Area

A substantial majority of DNB’s loans were made within the AA.

To assess DNB’s performance, we used the samples described in the Scope of Examination section, above. Based on our sample results, 87.0 percent of the number of loans and 71.8 percent of the dollar volume of loans were extended within the AA. The following table reflects the results of our assessment of DNB’s efforts to lend within its AA.

| <b>Lending in Erath County AA</b> |                 |      |         |      |       |                        |      |         |      |       |
|-----------------------------------|-----------------|------|---------|------|-------|------------------------|------|---------|------|-------|
| Loan Type                         | Number of Loans |      |         |      |       | Dollars of Loans (000) |      |         |      |       |
|                                   | Inside          |      | Outside |      | Total | Inside                 |      | Outside |      | Total |
|                                   | #               | %    | #       | %    |       | \$                     | %    | \$      | %    |       |
| Commercial                        | 20              | 87.0 | 3       | 13.0 | 23    | 527                    | 65.2 | 281     | 34.8 | 808   |
| Consumer Auto                     | 20              | 87.0 | 3       | 13.0 | 23    | 261                    | 89.9 | 29      | 10.1 | 290   |
| Totals                            | 40              | 87.0 | 6       | 13.0 | 46    | 788                    | 71.8 | 310     | 28.2 | 1,098 |

Source: Sample of loans.

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

DNB’s loan portfolio reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

The bank’s origination of Consumer Auto loans reflects excellent penetration to low- and moderate-income borrowers when compared to the level of low- and moderate-income households within the bank’s AA. Based on sample analysis, we found 35.00 percent of Consumer Auto loans were made to low-income households, well above the total 24.55 percent of AA households being low-income. Similarly, we found 25.00 percent of loans were made to moderate-income households, above the total 15.15 percent of moderate-income households in the AA.

We also reviewed the loan trial and noted a number of small dollar loans for \$2,000 or less. These combined factors indicate the bank is meeting the credit needs of its community.

| <b>Borrower Distribution of Consumer Loans in Erath 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                                                    | 24.55              | 35.00                | 15.15              | 25.00                | 19.02              | 10.00                | 41.28              | 30.00                |

*Source: Data collected from the bank; U.S. Census data.*

The volume of small business loans reflects adequate penetration when compared to the number of small businesses within the bank’s AA. Ninety percent of DNB’s commercial and industrial loans that we sampled were to small businesses with gross annual revenues of \$1 million or less. This is in line with the number of small businesses in the AA. The following table illustrates the lending distribution to businesses located within the bank’s AA.

| <b>Borrower Distribution of Loans to Businesses in Erath County AA</b> |              |              |                     |       |
|------------------------------------------------------------------------|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)                                           | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses                                                     | 85%          | 4%           | 11%                 | 100%  |
| % of Bank Loans in AA by #                                             | 90%          | 10%          | 0%                  | 100%  |
| % of Bank Loans in AA by \$                                            | 87%          | 13%          | 0%                  | 100%  |

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

### **Geographic Distribution of Loans**

There are no low- or moderate-income census tracts in the AA, therefore a geographic distribution analysis would not be meaningful.

### **Responses to Complaints**

There were no consumer complaints regarding DNB'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.