



PUBLIC DISCLOSURE

April 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Tahoka
Charter Number 8597

1601 South First Street
Tahoka, TX 79373

Office of the Comptroller of the Currency

5225 South Loop 289
Suite 108
Lubbock, TX 79424-1319

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, and should not 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The First National Bank of Tahoka (FNBT) has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- FNBT's quarterly average net loan-to-deposit (LTD) ratio is reasonable, averaging 33 percent during the evaluation period.
- The bank originated a majority of its loans by number (81 percent) and by dollar amount (68 percent) to borrowers located within the assessment area (AA).
- FNBT's loan portfolio reflects a reasonable penetration among farms of different sizes and consumer borrowers of different incomes.
- The geographic distribution of FNBT's farm and consumer loans is excellent.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the CD needs of its AA(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a core based statistical area that contains an urbanized population of at least 2.5 million. A metropolitan division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state MA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state MA, the institution will receive a rating for the multi-state MA.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNBT is an intrastate bank with its one office located in Tahoka, Texas, (approximately 32 miles south of Lubbock, TX) the county seat for Lynn County. The bank is wholly owned by Tahoka First Bancorp, Inc., a one-bank holding company located in Tahoka, Texas.

The bank provides traditional banking services, including a variety of traditional loan and deposit products. The bank primarily provides agricultural and consumer lending. No branches have been opened since the prior CRA examination. Bank lobby and drive-through services are provided Monday through Friday 9:00 am to 3:00 pm. In addition, FNBT offers basic online banking services for customers at www.fnbtahoka.com.

As of December 31, 2018, the bank had total assets of \$53 million. Loans and leases comprise 32 percent of total assets and 36 percent of total deposits. Loan products include agricultural, commercial, consumer, and real estate loans. The table below details the composition of FNBT's loan portfolio.

Loan Originations in 2016-2018 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agriculture & Farmland	\$33,739	75.10	312	27.88
Commercial & CRE	\$5,679	12.64	70	6.26
Consumer	\$4,694	10.45	728	65.06
Residential Real Estate (1-4 Family)	\$814	1.81	9	0.80
TOTAL	\$44,925	100.00	1119	100.00

Source: Bank Loan Trial Balance

The board and management's primary focus is to serve the agricultural, commercial, and consumer credit needs of Lynn County. FNBT has the ability to meet the various credit needs in its community based on its financial condition, the local economy, product offerings, and competition. The bank was previously assigned a Satisfactory rating at its October 12, 2012 CRA examination.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2016 through December 31, 2018. We evaluated FNBT using Small Bank criteria, which collectively form the Lending Test. FNBT's primary loan products are agricultural loans by dollar amount and consumer loans by number. Due to census changes in 2017, we selected sample for each primary product from different year combinations: one for 2016 and one for 2017-2018. We sampled 41 agricultural loans, 20 of which originated in 2016 and 21 in 2017-2018. Similarly, we sampled 55 consumer loans, 26 of which originated in 2016 and 29 in 2017-2018.

Data Integrity

We obtained accurate financial and geographic information directly from FNBT's loan files.

Selection of Areas for Full-Scope Review

FNBT has one AA, which will receive a full-scope review.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNBT's performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

FNBT's net LTD ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This is based on the bank's 33 percent quarterly average net LTD ratio for the 22 quarters from September 30, 2012 through December 31, 2018. The quarterly average net LTD ratios of four similarly-situated banks with total assets below \$125 million located in the AA ranges from 23 percent to 48 percent, and averages 42 percent.

Institution	Total Assets (\$000) As of 12/31/18	Quarterly Average Net LTD Ratio
The First National Bank of Tahoka	53,912	32.53
Community Bank of Snyder	111,644	48.24
Spur Security Bank	45,300	23.12
Citizens National Bank of Crosbyton	51,778	42.27

Lending in Assessment Area

A majority of FNBT's loans, 81 percent by number and 68 percent of dollar volume, were extended to borrowers within the bank's AA. The breakdown is illustrated in the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$000s
	#	%	#	%		\$000s	%	\$000s	%	
Agricultural	30	73	11	27	41	2,184	67	1,069	32.86	3,253
Consumer	48	87	7	12	55	287	79	75	20.72	362
Totals	78	81	18	18	96	2,471	68	1,144	31.65	3,615

Source: Loan Sample.

Lending to Farms of Different Sizes and Borrowers of Different Incomes

The overall borrower distribution for the AA is reasonable. Based on the sample of 41 farm and 48 consumer loans originated within the AA in 2016, and 2017-2018 the distribution of loans reflects reasonable penetration among farms of different sizes and among consumer borrowers of different incomes.

Farm Loans

FNBT has reasonable penetration among farms of different sizes within the AA. Of sampled farm loans for 2016, 83 percent were originated to farms with less than or equal to \$1 million in gross annual revenues, below the census demographic of 96 percent of AA farms. Of sampled farm loans for 2017-2018, 68 percent were originated to farms with less than or equal to \$1 million in gross annual revenues, below the census demographic of 96 percent of AA farms. No income information was available for 16 percent of the 2016 sample and 27 percent of the 2017-2018 sample, resulting in a high unavailable/unknown portion of the sample.

Borrower Distribution of Loans to Farms in AA (2016)				
Farm Revenues (Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96	4	0	100%
% of Bank Loans in AA by #	83	0	16	100%
% of Bank Loans in AA by \$	93	0	7	100%

Source: Loan Sample; Dun and Bradstreet data.

Borrower Distribution of Loans to Farms in AA (2017-2018)				
Farm Revenues (Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	96	4	0	100%
% of Bank Loans in AA by #	68	5	27	100%
% of Bank Loans in AA by \$	52	4	44	100%

Source: Bank Loan Files; Dun and Bradstreet data.

Management asserted that loans without income information are generally to smaller operators. To confirm this, we reviewed the distribution of sampled originated farm loans by size. We found that 94 percent of farm loan origination amounts were less than or equal to \$250,000, with 87 percent less than or equal to \$100,000. This supports a reasonable distribution of loans to small farms.

Borrower Distribution of Loans to Farms by Loan Size (2016-2018)				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	26	87	798,403	39
\$100,001 - \$250,000	2	7	187,940	9
\$250,001 - \$500,000	1	3	400,000	19
Over \$500,000	1	3	698,000	33

Source: Loan Sample

Consumer Loans

FNBT's consumer loan sample reflects reasonable penetration among borrowers of different incomes within the AA. Of sampled consumer loans for 2016, 20 percent were

originated to low-income borrowers and 22 percent to moderate-income borrowers, well above the census demographic of 43 percent each. Of sampled consumer loans for 2017-2018 for which we found income information, 29 percent were originated to low-income borrowers and 21 percent to moderate-income borrowers. This is near the census demographics of 26 percent and 19 percent, respectively.

Borrower Distribution of Consumer Loans in AA (2016)								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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
	20	43	22	43	16	9	42	5

Source: Bank Loan Files; U.S. Census data.

Borrower Distribution of Consumer Loans in AA (2017-2018)								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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
	26	29	19	21	17	8	38	42

Geographic Distribution of Loans

FNBT's overall geographic distribution of loans within the AA reflects excellent dispersion given the bank's business strategy and locations. Based on the sample of 41 agricultural loans and 48 consumer loans originated in the AA during the evaluation period, the geographic distribution of both farm and consumer loans is excellent.

Farm Loans

FNBT has an overall excellent geographic distribution of farm loans. In 2016, the geographic distribution of agricultural loans in moderate-income CTs is 67 percent, significantly exceeding the 17 percent of AA farms located in moderate-income CTs. In 2017-2018, the geographic distribution of farm loans in moderate-income CTs is 89 percent, near the 88 percent of AA farms located in moderate-income CTs. There are no low-income CTs.

Geographic Distribution of Loans to Farms 2016								
CT Income	Low		Moderate		Middle		Upper	
	% 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
	--	--	17	67	83	33	--	--

Source: Bank Loan Files; Dun and Bradstreet data.

Geographic Distribution of Loans to Farms 2017-2018								
CT Income	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
	--	--	88	89	12	11	--	--

Source: Bank Loan Files; Dun and Bradstreet data.

Consumer Loans

FNBT has an excellent geographic distribution of consumer loans. In 2016, the geographic distribution of consumer loans in moderate-income CTs is 86 percent, significantly exceeding the 47 percent of AA households in moderate-income CTs. In 2017-2018, the geographic distribution of consumer loans in moderate-income CTs is 82 percent, significantly exceeding the census demographic of 55 percent of AA households in moderate-income CTs. There are no low-income CTs.

Geographic Distribution of Consumer Loans 2016								
CT Income	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
	--	--	47	86	53	14	--	--

Source: Bank Loan Files; Dun and Bradstreet data.

Geographic Distribution of Consumer Loans 2017-2018								
CT Income	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
	--	--	55	82	45	18	--	--

Source: Bank Loan Files; Dun and Bradstreet data.

Responses to Complaints

There were no complaints relating to FNBT's CRA performance received by the bank or the supervisory agency during the evaluation period. This has a neutral effect on the bank's CRA performance.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 1/31/2016 to 12/31/2018 Investment and Service Tests and CD Loans: NA	
Financial Institution	Products Reviewed	
The First National Bank of Tahoka (FNBT) Tahoka, Texas	Farm Loans, Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Lynn County, TX	Full Scope	Part of the Lubbock, TX MSA

Appendix B: Community Profiles for Full-Scope Areas

Lynn County

Table A – Demographic Information of the Assessment Area						
Assessment Area: Lynn County 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	33.3	66.7	0.0	0.0
Population by Geography	5,915	0.0	45.0	55.0	0.0	0.0
Housing Units by Geography	2,681	0.0	44.9	55.1	0.0	0.0
Owner-Occupied Units by Geography	1,599	0.0	48.1	51.9	0.0	0.0
Occupied Rental Units by Geography	566	0.0	42.2	57.8	0.0	0.0
Vacant Units by Geography	516	0.0	38.0	62.0	0.0	0.0
Businesses by Geography	266	0.0	39.8	60.2	0.0	0.0
Farms by Geography	110	0.0	17.3	82.7	0.0	0.0
Family Distribution by Income Level	1,703	22.5	20.8	22.7	34.0	0.0
Household Distribution by Income Level	2,165	19.9	21.5	16.0	42.6	0.0
Median Family Income MSA - 31180 Lubbock, TX MSA		\$53,722	Median Housing Value			\$72,065
			Median Gross Rent			\$508
			Families Below Poverty Level			13.7%
<i>Source: 2010 U.S. Census and 2016 Dun and Bradstreet Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

FNBT has one AA, Lynn County. The AA meets legal requirements as it consists of whole geographies and does not arbitrarily exclude any low- or moderate-income CTs.

Lynn County is a rural and agricultural-based community. Agricultural activity for the county is primarily centered in cotton farming. Lynn County contains three cities; Tahoka, New Home, and O'Donnell. The economic conditions for the county are stable. Unemployment is low at 3.1 percent as of December 2018. The largest employers in the AA are Lyntegar Electric Cooperative and Tahoka Independent.

Competition facing FNBT is moderate with the bank's main competitor being First Bank and Trust. FNBT has a 35 percent deposit market share, ranking second among three financial institutions operating in Lynn County.

An individual involved in economic development in the community was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining bank performance. Local economic growth has been steady in recent years. FNBT has cooperatively contributed to the credit needs of the community and continues to be willing to provide credit. FNBT has a good public reputation for meeting the credit needs of the community and willingly sponsors various local activities.