



PUBLIC DISCLOSURE

August 26, 2019

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank
Charter Number 14786

414 10th Street
Alamogordo, NM 88310

Office of the Comptroller of the Currency
Denver Field Office
1228 17th Street, Suite 450
Denver, CO 80802

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.

Table of Contents

| | |
|--|------------|
| OVERALL CRA RATING | 2 |
| DESCRIPTION OF INSTITUTION..... | 4 |
| SCOPE OF THE EVALUATION | 6 |
| DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW | 7 |
| STATE RATING | 8 |
| STATE OF NEW MEXICO..... | 8 |
| APPENDIX A: SCOPE OF EXAMINATION..... | A-1 |
| APPENDIX B: SUMMARY OF CRA RATINGS | B-1 |
| APPENDIX C: DEFINITIONS AND COMMON ABBREVIATIONS | C-1 |
| APPENDIX D: TABLES OF PERFORMANCE DATA | D-1 |

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The lending test is rated: Outstanding.

The community development test is rated: Outstanding.

The major factors that support this rating include:

The Lending Test rating is based on:

- First National Bank (FNB) originated a substantial majority of its loans inside the Assessment Area (AA).
- FNB's loan to deposit ratio is reasonable and meets the standard for satisfactory performance.
- FNB's geographic distribution of small business loans during the assessment period is reasonable.
- The bank's geographic distribution of consumer loans during the assessment period is excellent.
- Lending activities represent an excellent penetration to businesses of different sizes.
- The borrower distribution reflects an excellent penetration of consumer loans to borrowers of different income levels in the AA.

The Community Development (CD) Test rating is based on:

- FNB's overall excellent responsiveness to the needs of the bank's AA through community development loans, qualified investments, and community development services.
- FNB's delivery systems for retail services are readily accessible to all segments of the community, including low- or moderate-income individuals.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, FNB's loan-to-deposit (LTD) ratio is reasonable. As of June 30, 2019, the bank's quarterly average LTD ratio over the prior 12 quarters is 49 percent. This compares reasonably to competitor banks that maintained a quarterly average LTD over the prior 12 quarters of 64 percent. Competitor bank LTD averages over the same period ranged from a high of 112 percent and a low of 33 percent. Competitor banks used to evaluate FNB's loan to deposit ratio are community banks that operate inside the AA and are competitors to FNB. Although FNB's LTD ratio is lower than competitors, the bank's LTD ratio is not fully reflective of all lending activity. FNB originates and sells residential real estate loans into the secondary market. These loans are not included in the LTD ratio. Additionally, FNB routinely originates smaller dollar

consumer loans to meet the credit needs of the community. These smaller dollar loans do not significantly impact the LTD but provide important access to credit within FNB's AA.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA. The bank originated and purchased 88 percent of its total loans inside the AA during the evaluation period. This analysis is performed at the bank, rather than the AA level. This percentage does not include extensions of credit by affiliates that may be considered under other performance criteria. We utilized loans sampled as part of the In/Out Ratio in the performance tests for the Distribution of Loans by Income Level of the Geography and Distribution of Loans by Income Level of the Borrower described later in this report.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|--|------------------------|-----------|----------------|-----------|----------------|--|-----------|----------------|-----------|-----------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Small Business | 17 | 85 | 3 | 15 | 20 | 11,467 | 76 | 3,532 | 24 | 14,999 |
| Consumer | 18 | 90 | 2 | 10 | 20 | 250 | 92 | 23 | 8 | 273 |
| Total | 35 | 88 | 5 | 12 | 40 | 11,717 | 77 | 3,555 | 23 | 15,272 |

Description of Institution

FNB is a single-state institution headquartered in Alamogordo, New Mexico, a non-metropolitan area in the southeastern part of the state. FNB is a subsidiary of a one-bank holding company, First Alamogordo Bancorp of Nevada, Inc. The holding company owns 100 percent of the bank's stock. As of June 30, 2019, FNB had \$357 million in assets with net loans of \$128 million, or 35 percent of total assets. The loan portfolio is composed of \$114 million in real estate loans (89 percent of average loans), \$11 million in non-real estate commercial loans (nine percent of average loans), and \$2 million in loans to individuals (two percent of average loans). Tier one capital totals \$42 million. FNB's strategic focus is to support the economic growth and development of its AA by providing competitive banking solutions for commercial and consumer customers. The bank offers a traditional mix of loan and deposit products. FNB operates six branches and eight ATMs in New Mexico. The bank has branches and ATMs in Alamogordo, Ruidoso, Tularosa, Cloudcroft, and Artesia.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of the AA. The Office of the Comptroller of the Currency previously evaluated FNB's CRA performance on July 19, 2016. The bank received an overall rating of "Satisfactory" from that evaluation. The community development test was rated "Outstanding".

FNB has only one assessment area, which includes four southeastern counties: Otero, Lincoln, Eddy, and Chaves. The assessment area consists of 49 Census Tracts (CTs), which include two low-income CTs, eight moderate-income CTs, 26 middle-income CTs, and 13 upper-income CTs. The two low-income CTs are in Otero County. The 15 middle-income CTs in Otero and Chaves counties were designated as distressed or underserved.

Otero County is in south central New Mexico and is the third largest county in terms of land area in the state, with 6,613 square miles. The county includes the cities and towns of Alamogordo, Tularosa, and Cloudcroft. The population estimate as of July 1, 2018 was 66,781 with a median age of 36 and median household income of \$43,533. The poverty rate is 21.4 percent. The economy of Otero County is largely based on government, education, and tourism. Major Otero County employers include Holloman Air Force Base, White Sands Missile Range, Alamogordo Public Schools, Inn of the Mountain Gods, and Walmart.

Eddy County is in southeastern New Mexico and encompasses 4,175 square miles. The county includes Carlsbad, Artesia, Loving, and Whites City. The population estimate as of July 1, 2018 was 57,900 with a median age of 36 and a median household income of \$60,703. The poverty rate is 14.6 percent. The most common employment sectors are mining, quarrying, oil and gas extraction, retail trade, and healthcare and social assistance. Major employers include Waste Isolation Pilot Plant, Mosaic Co., Carlsbad Medical Center, Holly Corp, and Constructors Inc.

Lincoln County is in south central New Mexico and contains 4,858 square miles. Lincoln County includes Carrizozo, Capitan, Lincoln, and Ruidoso. Important natural features in Lincoln County include the Lincoln National Forest, Sacramento Mountains, Capitan Mountains, Bonito Lake, and the Valley of Fires lava fields. The population estimate as of July 1, 2018 was 19,556 with a median age of 51 and a median household income of \$42,145. The poverty rate is 15.4 percent. The economy is based on tourism, retail services, and government. Major Lincoln County employers include Billy the Kid Casino & Ruidoso Downs Race Track, Lincoln County Medical Center, Ruidoso Municipal Schools, and Walmart.

Chaves County is in south central New Mexico and contains 6,056 square miles. The county includes the cities and towns of Roswell, Acme, Dexter, and Hagerman. The population estimate as of July 1, 2018 was 64,689 with a median age of 35 and a median household income of \$42,177. The poverty rate is 21.2 percent. Chaves County has a diverse economy that includes the oil and gas industry, farming, and ranching. Major employers include the City of Roswell, Eastern New Mexico Medical Center, Leprino Foods Company, Eastern New Mexico University-Roswell Campus, and the New Mexico Military Institute.

Scope of the Evaluation

Evaluation Period and Products Evaluated

The evaluation period included loan originations during two time-periods from July 1, 2016 through December 31, 2016, and from January 1, 2017 through December 31, 2018. We determined the primary loan products by establishing the concentration of loans originated by number and dollar volume for each loan type. FNB originates the largest dollar concentration of small business commercial loans. Additionally, FNB originates a concentration in number of small dollar consumer loans. Thus, we evaluated both small business and consumer loans as part of this evaluation period.

Selection of Areas for Full-Scope Review

FNB only has offices in New Mexico in non-metropolitan statistical areas. The bank only designated one assessment area. As such, we completed a full scope review of the New Mexico AA.

Ratings

The bank's overall rating is based off our evaluation of the sole non-MSA AA in New Mexico.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution 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.

State Rating

State of New Mexico

CRA rating for the State of New Mexico: Outstanding.

The lending test is rated: Outstanding.

The community development test is rated: Outstanding.

The major factors that support this rating include:

The Lending Test rating is based on:

- FNB originated a substantial majority of its loans inside the AA.
- FNB's loan to deposit ratio is reasonable and meets the standard for satisfactory performance.
- FNB's geographic distribution of small business loans during the assessment period is reasonable.
- The bank's geographic distribution of consumer loans during the assessment period is excellent.
- Lending activities represent an excellent penetration to businesses of different sizes.
- The borrower distribution reflects an excellent penetration of consumer loans to borrowers of different income levels in the AA.

The Community Development (CD) Test rating is based on:

- FNB's overall excellent responsiveness to the needs of the bank's AA through community development loans, qualified investments, and community development services.
- FNB's delivery systems for retail services are readily accessible to all segments of the community, including low- or moderate-income individuals.

Description of Institution's Operations in New Mexico

FNB is a single-state institution headquartered in Alamogordo, New Mexico, a non-metropolitan area in the southeastern part of the state. FNB is a subsidiary of a one-bank holding company, First Alamogordo Bancorp of Nevada, Inc. The holding company owns 100 percent of the bank's stock. As of June 30, 2019, FNB had \$357 million in assets with net loans of \$128 million, or 35 percent of total assets. FNB's strategic focus is to support the economic growth and development of its AA by providing competitive banking solutions for commercial and consumer customers. The bank offers a traditional mix of loan and deposit products. FNB operates six branches and eight ATMs in New Mexico. The bank has branches and ATMs in Alamogordo, Ruidoso, Tularosa, Cloudcroft, and Artesia. FNB ranks fifth in its AA for total deposit market share with 9.07 percent of total deposits totaling \$306 million. The

institution faces heavy competition in the area from competitors such as Wells Fargo Bank NA, First American Bank, Pioneer Bank, and The Carlsbad National Bank.

Community Contact

We contacted a community contact with knowledge of the Otero and Lincoln County real estate markets. This individual also had knowledge in property management. The contact indicated that Holloman Air Force Base remains critical to economic activity in Otero County and is the primary driver behind activity in Alamogordo. The contact indicated that demographics in Otero County are consistently changing due to the military base. There continues to be a need for apartment housing for under \$1000 per month. The contact discussed how apartment costs continue to rise steadily in Alamogordo and outpace the growth in housing allowances for military personnel. The contact's comments surrounding rising apartment rental costs are confirmed from demographic information in Table A. The contact indicated that apartments listed for under \$1000 per month in good working order are routinely rented within one to two business days, and individuals will show interest in the property within hours of it being posted. The contact indicated that he believes there is opportunity to build affordable multi-family housing units in Otero County.

Given the contact's comments surrounding the rental market, we also asked questions about housing affordability for low- and moderate-income individuals if they wanted to buy in the market. Our contact indicated single-family housing prices remained affordable, and there was enough supply available in the market.

Non-MSA New Mexico AA

| Table A – Demographic Information of the Assessment Area | | | | | | |
|---|---------|------------|------------------------------|---------------|--------------|------------|
| Assessment Area: 2016 FNB Alamogordo Non-MSA New Mexico AA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 49 | 2.0 | 14.3 | 53.1 | 30.6 | 0.0 |
| Population by Geography | 203,768 | 0.8 | 17.5 | 48.2 | 33.6 | 0.0 |
| Housing Units by Geography | 97,212 | 1.0 | 14.6 | 49.6 | 34.9 | 0.0 |
| Owner-Occupied Units by Geography | 53,612 | 0.7 | 14.3 | 46.4 | 38.6 | 0.0 |
| Occupied Rental Units by Geography | 21,847 | 1.3 | 17.8 | 53.5 | 27.4 | 0.0 |
| Vacant Units by Geography | 21,753 | 1.2 | 12.1 | 53.5 | 33.2 | 0.0 |
| Businesses by Geography | 9,988 | 3.0 | 11.7 | 47.3 | 38.0 | 0.0 |
| Farms by Geography | 536 | 0.4 | 6.5 | 53.9 | 39.2 | 0.0 |
| Family Distribution by Income Level | 51,966 | 18.9 | 17.8 | 20.2 | 43.0 | 0.0 |
| Household Distribution by Income Level | 75,459 | 21.4 | 16.1 | 18.3 | 44.2 | 0.0 |
| Median Family Income Non-MSAs - NM | | \$46,354 | Median Housing Value | | | \$112,926 |
| | | | Median Gross Rent | | | \$625 |
| | | | Families Below Poverty Level | | | 13.2% |
| <i>Source: 2010 U.S. Census and 2016 D&B 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> | | | | | | |

| Table A – Demographic Information of the Assessment Area | | | | | | |
|--|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Assessment Area: 2017-2018 FNB Alamogordo Non-MSA New Mexico AA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 49 | 4.1 | 16.3 | 53.1 | 26.5 | 0.0 |
| Population by Geography | 206,701 | 5.5 | 14.8 | 49.5 | 30.2 | 0.0 |
| Housing Units by Geography | 98,478 | 4.6 | 12.1 | 56.1 | 27.2 | 0.0 |
| Owner-Occupied Units by Geography | 52,582 | 4.2 | 11.6 | 51.7 | 32.5 | 0.0 |
| Occupied Rental Units by Geography | 23,625 | 3.5 | 17.5 | 49.0 | 30.0 | 0.0 |
| Vacant Units by Geography | 22,271 | 6.9 | 7.5 | 73.9 | 11.7 | 0.0 |
| Businesses by Geography | 10,156 | 4.6 | 11.7 | 53.5 | 30.1 | 0.0 |
| Farms by Geography | 522 | 2.1 | 9.2 | 55.7 | 33.0 | 0.0 |
| Family Distribution by Income Level | 51,660 | 20.1 | 16.2 | 18.6 | 45.0 | 0.0 |
| Household Distribution by Income Level | 76,207 | 22.3 | 14.9 | 16.6 | 46.2 | 0.0 |
| Median Family Income Non-MSAs - NM | | \$49,356 | Median Housing Value | | | \$122,264 |
| | | | Median Gross Rent | | | \$775 |
| | | | Families Below Poverty Level | | | 14.5% |
| <i>Source: 2015 ACS Census and 2018 D&B 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> | | | | | | |

Scope of Evaluation in New Mexico

FNB has offices in non-metropolitan statistical areas in New Mexico. The bank only designated one assessment area. As such, we completed a full scope review of the New Mexico AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW MEXICO

LENDING TEST

The bank's performance under the Lending Test in the New Mexico AA is rated Outstanding.

Distribution of Loans by Income Level of the Geography

The bank exhibits an overall reasonable geographic distribution of loans in the AA.

Small Loans to Businesses

FNB's geographic distribution of small business loans during the assessment periods of July 1, 2016 through December 31, 2016 and January 1, 2017 through December 31, 2018, represents a reasonable dispersion throughout CTs of different income levels in the AA.

During the timeframe of July 1, 2016 through December 31, 2016, FNB originated five percent of loans to businesses in low-income CTs, zero percent in moderate-income CTs, 70 percent in middle-income

CTs, and 25 percent in upper-income CTs. This would normally reflect poor dispersion, but there are only two low-income and eight moderate-income CTs in the AA. The majority of the low- and moderate-income CTs in the AA are sparsely populated by both people and commerce. Additionally, 64 percent of loans originated in middle-income census tracts in the sample were in distressed or underserved CTs.

During the assessment period of January 1, 2017 through December 31, 2018, FNB originated five percent of loans to businesses in low-income CTs, 20 percent in moderate-income CTs, 45 percent in middle-income CTs, and 30 percent in upper-income CTs. This reflects reasonable dispersion during the evaluation period.

Refer to Table Q in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Consumer Loans

FNB's geographic distribution of consumer loans during the assessment periods of July 1, 2016 through December 31, 2016 and January 1, 2017 through December 31, 2018 represents an excellent dispersion throughout CTs of different income levels in the AA.

During the timeframe of July 1, 2016 through December 31, 2016, FNB originated seven percent of loans in low-income CTs, 27 percent in moderate-income CTs, 53 percent in middle-income CTs, and 13 percent in upper-income CTs. This represents an excellent dispersion of lending in the AA. During the assessment timeframe, one percent of households resided in low-income CTs, and 15 percent in moderate-income CTs.

During the assessment period of January 1, 2017 through December 31, 2018, FNB originated ten percent of loans in low-income CTs compared to four percent of households, and 15 percent of loans in moderate-income CTs compared to 13 percent of households in the AA. Additionally, FNB originated 70 percent of loans in middle-income CTs, compared to 51 percent of households. 78 percent of these loans originated in middle-income CTs were in CTs designated as distressed or underserved.

Refer to Table U in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an excellent distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

Lending activities represent an excellent penetration to businesses of different sizes during the assessment periods of July 1, 2016 through December 31, 2016 and January 1, 2017 through December 31, 2018 in the AA.

During the timeframe of July 1, 2016 through December 31, 2016, FNB originated 100 percent of sampled loans to businesses with gross annual revenues of less than one million dollars, compared to 78

percent of businesses located in the AA. Similarly, during the assessment period of January 1, 2017 through December 31, 2018, FNB originated 85 percent of sampled loans to businesses with gross annual revenues of less than one million dollars. This lending activity shows FNB's continued commitment to lending to small businesses within the AA.

Refer to Table R in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Consumer Loans

Lending activities for consumer loans reflects excellent penetration to borrowers of different income levels in the AA. During the assessment period of July 1, 2016 through December 31, 2016, FNB originated 27 percent of sampled loans to low-income borrowers, and 13 percent to moderate-income borrowers. This compares favorably against income demographics within the AA where 21 and 16 percent of households are designated as low-income, and moderate-income, respectively.

During the assessment period of January 1, 2017 through December 31, 2018, FNB originated 50 percent of sampled loans to low-income borrowers, and 15 percent to moderate-income borrowers. This compares favorably against income demographics within the AA where 22 percent and 15 percent of households are designated as low-income, and moderate-income, respectively. FNB's continued commitment to small dollar consumer lending was evident during this assessment period, as 75 percent of sampled loans were below \$10,000 at origination.

Refer to Table V in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

Responses to Complaints

FNB had no CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the Non-MSA New Mexico AA is rated Outstanding.

Based on a full-scope review, the bank exhibits excellent responsiveness to community development needs in the AA through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

Number and Amount of Community Development Loans

FNB's community development lending demonstrates excellent responsiveness to needs in the AA. Since the last CRA examination, FNB funded or renewed seven community development loans, representing \$11.94 million or 28 percent of tier one capital as of June 30, 2019. Five of these loans created jobs in low-or moderate- income CTs in Otero County. Two loans met the community development purpose of community service, which benefit low- or moderate-income individuals. These loans demonstrate the bank's commitment to giving back to the communities they service.

Number and Amount of Qualified Investments

FNB's level of qualified investments demonstrates excellent responsiveness to needs in the AA. FNB purchased \$2.3 million in qualified investments, representing six percent of tier one capital as of June 30, 2019. The purpose of these qualified investments include housing for low- to moderate-income individuals and the revitalization of Otero County public schools. In addition, FNB made \$12 thousand in donations to various organizations. The organizations promote community development by providing community services for low- to moderate-income individuals. The organizations included homeless centers, food pantries, and youth programs.

Extent to Which the Bank Provides Community Development Services

FNB's community development services demonstrate adequate responsiveness to the needs in the AA. Employees of the bank contributed 1,474 hours of service to several organizations since the last CRA Performance Evaluation. Each employee involved in providing community development services used their financial expertise to serve individuals in the AA. Bank employees assisted by preparing and/or reviewing budgets, balance sheets, accounts, and home mortgage applications. Several bank employees were also board members or treasurers of these organizations assisting low- to moderate-income individuals.

FNB's delivery systems for retail services are readily accessible to all segments of the community, including low- to moderate-income individuals and geographies. The main branch is in a low-income CT and offers extended hours on Friday. The branch is also open on Saturdays. Another branch located in a moderate-income CT offers extended business hours on Friday and is open on Saturdays. The other four branches are in middle-income CTs, of which two are in underserved or distressed income CTs. There are also eight bank-owned no-cost ATMs. The bank offers a variety of services to the community ranging from reasonably priced checking accounts, savings accounts, safe deposit boxes, and telephone and internet banking. A savings product is available that requires only a \$100 minimum balance and no service fees.

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 MSA(s) and non-MSA(s) 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: | July 1, 2016 through December 31, 2018. The OCC utilized information from the 2010 U.S. Census to assess the time period of July 1, 2016 through December 31, 2016. The time period of January 1, 2017 through December 31, 2018 was assessed utilizing the 2015 ACS Census. | |
| Bank Products Reviewed: | Small business loans, consumer loans, community development loans, qualified investments, and community development services. | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| None | Not Applicable | Not applicable |
| List of Assessment Areas and Type of Examination | | |
| Rating and Assessment Areas | Type of Exam | Other Information |
| Non-MSA New Mexico AA | Full Scope | |

Appendix B: Summary of CRA Ratings

| RATINGS First National Bank | | | |
|-----------------------------|---------------------|----------------|--------------------------------------|
| Overall Bank: | Lending Test Rating | CD Test Rating | Overall Bank/State/Multistate Rating |
| FNB | Outstanding | Outstanding | Outstanding |
| MMSA or State: | | | |
| New Mexico | Outstanding | Outstanding | Outstanding |

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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 census tract delineated by the United States 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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: 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 Metropolitan Statistical Area 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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. 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 metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

| Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography | | | | | | | | | | | | | | | | | | | 2016 | | |
|---|---------------------------------|--------------|--------------|----------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|-------------|--|--|
| Assessment Area: | Total Loans to Small Businesses | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | | | |
| | # | \$ (000s) | % of Total | Overall Market | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | | |
| 2016 FNB Alamogordo Non-MSA AA | 20 | 5,130 | 100.0 | 2,371 | 3.0 | 5.0 | 2.5 | 11.7 | 0.0 | 12.6 | 47.3 | 70.0 | 45.5 | 38.0 | 25.0 | 39.5 | 0.0 | 0.0 | 0.0 | | |
| Total | 20 | 5,130 | 100.0 | 2,371 | 3.0 | 5.0 | 2.5 | 11.7 | 0.0 | 12.6 | 47.3 | 70.0 | 45.5 | 38.0 | 25.0 | 39.5 | 0.0 | 0.0 | 0.0 | | |

Source: 2016 D&B Data; 07/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, Due to rounding, totals may not equal 100.0

| Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography | | | | | | | | | | | | | | | | | | | 2017-2018 | | |
|---|---------------------------------|---------------|------------|----------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|------------------|--|--|
| Assessment Area: | Total Loans to Small Businesses | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | | | |
| | # | \$ (000s) | % of Total | Overall Market | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | Aggregate | | |
| 2017-2018 FNB Alamogordo Non-MSA AA | 20 | 11,980 | 100 | 2,357 | 4.6 | 5.0 | 3.9 | 11.7 | 20.0 | 11.4 | 53.9 | 45.0 | 51.7 | 29.8 | 30.0 | 33.0 | 0.0 | 0.0 | 0.0 | | |
| Total | 20 | 11,980 | 100 | 2,357 | 4.6 | 5.0 | 3.9 | 11.7 | 20.0 | 11.4 | 53.9 | 45.0 | 51.7 | 29.8 | 30.0 | 33.0 | 0.0 | 0.0 | 0.0 | | |

Source: 2017 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017-2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

| Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues | | | | | | | | | | | 2016 | |
|--|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|--------------|--|
| Assessment Area: | Total Loans to Small Businesses | | | | Businesses with Revenues <= 1MM | | | Businesses with Revenues > 1MM | | Businesses with Revenues Not Available | | |
| | # | \$ (000s) | % of Total | Overall Market | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | % Businesses | % Bank Loans | |
| 2016 FNB Alamogordo Non-MSA AA | 20 | 5,130 | 100.0 | 2,371 | 77.8 | 100.0 | 45.8 | 6.0 | 0.0 | 16.3 | 0.0 | |
| Total | 20 | 5,130 | 100.0 | 2,371 | 77.8 | 100.0 | 45.8 | 6.0 | 0.0 | 16.3 | 0.0 | |

*Source: 2016 D&B Data; 07/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0*

| Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues | | | | | | | | | | | 2017-2018 | |
|--|---------------------------------|---------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|------------------|--|
| Assessment Area: | Total Loans to Small Businesses | | | | Businesses with Revenues <= 1MM | | | Businesses with Revenues > 1MM | | Businesses with Revenues Not Available | | |
| | # | \$ (000s) | % of Total | Overall Market | % Businesses | % Bank Loans | Aggregate | % Businesses | % Bank Loans | % Businesses | % Bank Loans | |
| 2017-2018 FNB Alamogordo Non-MSA AA | 20 | 11,980 | 100.0 | 2,357 | 77.6 | 85.0 | 45.2 | 6.1 | 15.0 | 16.3 | 0.0 | |
| Total | 20 | 11,980 | 100.0 | 2,357 | 77.6 | 85.0 | 45.2 | 6.1 | 15.0 | 16.3 | 0.0 | |

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017-2018 CRA Aggregate Data,
Due to rounding, totals may not equal 100.0*

| Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography | | | | | | | | | | | | | 2016 | |
|---|----------------------|-----------|------------|-------------------|--------------|------------------------|--------------|----------------------|--------------|---------------------|--------------|-----------------------------|--------------|--|
| Assessment Area: | Total Consumer Loans | | | Low-Income Tracts | | Moderate-Income Tracts | | Middle-Income Tracts | | Upper-Income Tracts | | Not Available-Income Tracts | | |
| | # | \$ (000s) | % of Total | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | |
| 2016 FNB Alamogordo Non-MSA AA | 15 | 317 | 100.0 | 0.9 | 7.0 | 15.3 | 27.0 | 48.5 | 53.0 | 35.4 | 13.0 | 0.0 | 0.0 | |
| <i>Source: 2010 U.S. Census; 7/01/2016 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0</i> | | | | | | | | | | | | | | |

| Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography | | | | | | | | | | | | | 2017-2018 | |
|---|----------------------|-----------|------------|-------------------|--------------|------------------------|--------------|----------------------|--------------|---------------------|--------------|-----------------------------|------------------|--|
| Assessment Area: | Total Consumer Loans | | | Low-Income Tracts | | Moderate-Income Tracts | | Middle-Income Tracts | | Upper-Income Tracts | | Not Available-Income Tracts | | |
| | # | \$ (000s) | % of Total | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | |
| 2017-2018 FNB Alamogordo Non-MSA AA | 20 | 249 | 100.0 | 4.0 | 10.0 | 13.4 | 15.0 | 50.8 | 70.0 | 31.8 | 5.0 | 0.0 | 0.0 | |
| <i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0</i> | | | | | | | | | | | | | | |

| Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower | | | | | | | | | | | | | 2016 | |
|--|----------------------|------------|------------|----------------------|--------------|---------------------------|--------------|-------------------------|--------------|------------------------|--------------|--------------------------------|--------------|--|
| Assessment Area: | Total Consumer Loans | | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Not Available-Income Borrowers | | |
| | # | \$ (000) | % of Total | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | |
| 2016 FNB Alamogordo Non-MSA AA | 15 | 317 | 100 | 21.4 | 27.0 | 16.1 | 13.0 | 18.3 | 47.0 | 44.2 | 13.0 | 0.0 | 0.0 | |
| Total | 15 | 317 | 100 | 21.4 | 27.0 | 16.1 | 13.0 | 18.3 | 47.0 | 44.2 | 13.0 | 0.0 | 0.0 | |

*Source: 2010 U.S. Census; 07/01/2016 - 12/31/2016 Bank Data.
Due to rounding, totals may not equal 100.0*

| Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower | | | | | | | | | | | | | 2017-2018 | |
|--|----------------------|------------|--------------|----------------------|--------------|---------------------------|--------------|-------------------------|--------------|------------------------|--------------|--------------------------------|------------------|--|
| Assessment Area: | Total Consumer Loans | | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Not Available-Income Borrowers | | |
| | # | \$ (000s) | % of Total | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | % of Households | % Bank Loans | |
| 2017-2018 FNB Alamogordo Non-MSA AA | 20 | 249 | 100.0 | 22.3 | 50.0 | 14.9 | 15.0 | 16.6 | 20.0 | 46.2 | 15.0 | 0.0 | 0.0 | |
| Total | 20 | 249 | 100.0 | 22.3 | 50.0 | 14.9 | 15.0 | 16.6 | 20.0 | 46.2 | 15.0 | 0.0 | 0.0 | |

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data.
Due to rounding, totals may not equal 100.0*