



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 28, 2011

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

The First National Bank of Hooker
Charter Number 10566

119 N. Broadway
Hooker, OK 73945-0000

Office of the Comptroller of the Currency

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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.

First National Bank of Hooker's (FNBH) CRA performance is satisfactory based on FNBH's lending practices. We evaluated these practices by reviewing a sample of the bank's primary loan products. The rating is based on the following findings:

- The bank's loan-to-deposit ratio is reasonable and averaged 45.91 percent during the evaluation period.
- FNBH makes a substantial majority of its loans to borrowers within the assessment area (AA). Based on a sample of loans, 80.00 percent of the number of loans and 87.65 percent of the dollar volume of loans were to borrowers within the AA.
- FNBH has a reasonable penetration of loans to farms of different sizes and to individuals of different income levels including low- and moderate-income.

SCOPE OF EXAMINATION

FNBH was evaluated under the Small Bank performance criteria. We used four of the five criteria: loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, and responses to CRA-related complaints. The fifth criterion, which is the geographic distribution of loans, was not evaluated because there are no low- to moderate-income census tracts in the bank's AA.

To evaluate FNBH's lending performance, we selected a sample of 55 loans based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. FNBH's primary loan products are agricultural loans by dollar amount and consumer loans by volume. The loan sample consists of 30 agricultural and 25 consumer loans originated between January 1, 2009 and September 30, 2011.

DESCRIPTION OF INSTITUTION

FNBH is an intrastate bank located in Hooker, Oklahoma, which is near the center of the Oklahoma panhandle. The bank is a wholly owned subsidiary of Hooker National Bancshares, Inc. (HNBI), a one-bank holding company located in Hooker, Oklahoma which primarily serves the residents of Hooker and the surrounding area. HNBI reported total assets of \$59.9 million as of September 30, 2011. There was no merger or acquisition activity during the evaluation period.

The bank operates a single banking facility in Hooker with the drive-up facility attached at that location. No branches have been opened or closed since the last CRA examination. The bank offers a full range of commercial and consumer banking products and related financial products. The bank provides access to banking services through its website at www.hookerbank.com. Services include account balance inquiries and funds transfer activities.

As of September 30, 2011, FNBH had total assets of \$59.9 million, with 38.8 percent of these assets in the loan portfolio. The bank is primarily an agricultural lender. The following chart details a breakdown of FNBH's loan portfolio as of September 30, 2011.

Loan Portfolio Composition as of September 30, 2011				
Loan Type	\$(000)	%	# of Notes	%
Agriculture	10,369	44.64	158	28.26
Agricultural Real Estate	5,104	21.97	76	13.60
Commercial	1,514	6.52	45	8.05
Commercial Real Estate	666	2.87	18	3.22
Consumer	1,230	5.29	173	30.95
Residential Real Estate	4,193	18.05	84	15.02
Political Subdivisions	141	0.61	2	0.36
Other	12	0.05	3	0.54
TOTAL	23,229	100.00	559	100.00

Source: Loan Trial

Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNBH has the ability to meet the various credit needs in its community. FNBH's business strategy is to provide outstanding banking services to customers in its AA, while increasing the long-term value of the owners' investment. No legal impediments or other factors hinder FNBH's ability to provide credit to its AA. The bank was rated "Satisfactory" at the last CRA examination on March 10, 2006.

DESCRIPTION OF ASSESSMENT AREA

FNBH has one AA which includes all of Beaver, Cimarron, and Texas Counties in the Oklahoma Panhandle. The AA meets the requirements of the regulation. No low- or moderate-income areas are arbitrarily excluded. Cities within the AA include Boise City, Guymon, Hooker, and Texhoma. Demographic information about the AA is listed on the next page.

Demographic and Economic Characteristics of FNB of Hooker AA	
<i>Population</i>	
Number of Families	7,850
Number of Households	10,632
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	80.00%
% Upper-Income Census Tracts	20.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	35,517
2011 HUD-Adjusted MFI	47,200
2010 HUD-Adjusted MFI	47,200
2009 HUD-Adjusted MFI	46,400
2008 HUD-Adjusted MFI	44,000
<i>Economic Indicators</i>	
Unemployment Rate	2.71%
2010 Median Housing Value	\$58,062
% of Households Below Poverty Level	13.03%

Source: 2000 Census data and HUD updated income data

Based on 2000 Census data, the AA has a total population of 29,112. There are 12,316 housing units in the AA, of which 60.8 percent are owner-occupied, 25.7 percent are renter-occupied, and 13.5 percent are vacant. Approximately 16.94 percent of the families in the AA are considered low-income. Moderate-income families approximate 14.06 percent of the population, while middle- and upper-income families comprise the remaining 69.00 percent. The local economy is agricultural based. The largest employer in the AA is Seaboard, a pork production and processing facility employing in excess of 4,000 individuals. Other major employers include Tri-County Electric CO-OP and numerous oil and gas companies.

The AA includes 10 census tracts of which eight are middle-income and two are upper-income tracts. There are no low- or moderate-income tracts. The 2000 Census data reflects that 13.03 percent of the households in the Hooker AA are below the poverty level. Federal agencies have designated four census tracts located in the AA as distressed areas.

Competition from other financial institutions is high. In addition to FNBH, there are five local area state banks with seven branches between them, two local area national banks with four branches between them, and two branches of a large multi-state national bank.

One community contact was used to provide an independent view of how local institutions are meeting community credit needs and providing support to the local

economy. We discussed public perceptions, community development needs, and credit needs. No unmet credit needs or opportunities were identified. Local institutions are actively involved in community development, and public perception remains positive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate FNBH's lending performance, we reviewed a sample of 55 loans. Primary loan products offered by the bank were sampled. The sample consisted of 30 agricultural loans and 25 consumer loans originated or purchased from January 1, 2009 through September 30, 2011. Based on the analysis, FNBH is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNBH is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average loan-to-deposit ratio since the prior CRA examination in March 2006 is 45.91 percent. During the evaluation period, FNBH's loan-to-deposit ratio ranged from a low of 37.17 percent to a high of 55.94 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the AA for the same period was 65.67 percent. FNBH's ability to make loans is affected by the proximity of other financial institutions, the availability of multiple branches of other financial institutions, and residents banking in other communities where they work.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 09/30/2011)	Average Loan-to-Deposit Ratio
Bank of The Panhandle, The	\$137,130	63.75
City National Bank and Trust Company of Guymon	\$170,254	44.95
First National Bank of Hooker, The	\$59,865	45.91
First Security Bank, The	\$105,146	74.68
First State Bank, The	\$52,529	79.28

Source: Institution Reports of Condition from March 2006 to September 2011.

Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. Our analysis determined that 80.00 percent of the number of loans and 87.65 percent of the dollar amount of loans in the sample were originated within the bank's AA. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	22	88.00	3	12.00	25	152	86.86	23	13.14	175
Farm	22	73.33	8	26.67	30	6,638	87.67	934	12.33	7,572
Totals	44	80.00	11	20.00	55	6,790	87.65	957	12.35	7,747

Source: Loan sample

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

The overall borrower distribution for the AA is considered reasonable. Based on the sample of agricultural and consumer loans originated or purchased from January 1, 2009 through September 30, 2011, the distribution of loans reflects a reasonable penetration among farms of different sizes and excellent penetration among individuals of different income levels. We put more weight on the bank's agricultural lending performance because the largest dollar volume of the loans that FNBH originated are agricultural loans.

Agricultural Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. By number, 86.67 percent of the bank's agricultural loans originated and purchased during the loan sampling period were made to small farms. Small farms are farms with gross annual revenues of \$1 million or less. The demographic data show 92.11 percent of the farms in the bank's AA have gross annual revenues less than or equal to \$1 million. Because the demographics show that revenue data are not available for 3.80 percent of the farms, we also reviewed the distribution of the bank's loans by size. We found that 73.34 percent of originated agricultural loans were less than or equal to \$100,000, which provides additional support for a reasonable distribution of loans to small farms.

Borrower Distribution of Loans to Farms in the Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	92.11	4.09	3.80	100.00%
% of Bank Loans in AA by #	86.67	13.33	0.00	100.00%
% of Bank Loans in AA by \$	90.33	9.67	0.00	100.00%

Source: Dunn and Bradstreet data

Borrower Distribution of Loans to Farms by Loan Size in the Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	22	73.34	\$815,236	10.75
\$100,001 - \$250,000	4	13.33	\$640,280	8.45
\$250,001 - \$500,000	3	10.00	\$1,400,000	18.47
Over \$500,000	1	3.33	\$4,725,000	62.33

Source: Loan sample

Consumer Loans

Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the AA. Based on 2000 Census Information, 31.0 percent of households in the AA are low- and moderate-income. Low-income households make up 16.94 percent, and moderate-income households make up 14.06 percent. Our review determined that 60.00 percent of consumer loans were made to low- and moderate-income households. Low-income households received 16.00 percent of the originated loans sampled, and moderate-income households received 44.00 percent. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households.

Borrower Distribution of Consumer Loans in the Assessment Area										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
	% 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	% of AA Households	% of Number of Loans
Consumer Loans	16.94	16.00	14.06	44.00	17.63	24.00	51.37	8.00	0.00	8.00

Geographic Distribution of Loans

Since there are no low- or moderate-income census tracts, analysis of geographical distribution was not meaningful. No unexplained conspicuous gaps were identified.

Responses to Complaints

No complaints relating to CRA performance have been received by FNBH during the evaluation period, and this has a neutral impact on the bank's performance.

Fair Lending or Other Illegal Credit Practices Review

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