



PUBLIC DISCLOSURE

June 11, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Hooker
Charter Number 10566

119 North Broadway Street
Hooker, OK 73945-0000

Office of the Comptroller of the Currency

Lubbock Field Office
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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 Hooker (FNBH) has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- FNBH has a reasonable quarterly average net loan-to-deposit ratio of 54 percent during the evaluation period.
- FNBH originated a majority of its loans by number (83 percent) and dollar volume (89 percent) to customers located within the assessment area (AA).
- FNBH's loan portfolio reflects a reasonable penetration among farms of different sizes, as well as an excellent penetration among individuals of different income levels, including low- and moderate-income.

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.

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. Census 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. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: 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 HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(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).

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.

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.

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.

Rated Area: A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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 One 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

FNBH is an intrastate bank located in Hooker, Oklahoma, 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 \$74.3 million as of December 31, 2017.

The bank provides traditional banking services including a variety of traditional loan and deposit accounts. No branches have been opened or closed since the last CRA examination. Bank lobby and drive-through services are provided Monday through Friday at the bank's only branch in Hooker, Oklahoma. FNBH provides access to banking services through its website at www.hookerbank.com and its mobile banking app for iPhone and Android.

As of December 31, 2017 net loans totaled \$38.5 million and represented 62 percent of total deposits and 52 percent of total assets. The bank is primarily an agricultural lender. The following chart details a breakdown of FNBH's loan originations in 2015, 2016 and 2017 by original amount.

Loan Originations in 2015, 2016 and 2017 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agricultural and Farmland	\$47,773	62%	265	26%
Commercial and Commercial Real Estate	\$13,923	18%	113	11%
Consumer	\$9,636	13%	562	55%
Residential Real Estate (1-4 Family)	\$5,291	7%	82	8%
TOTAL	\$76,623	100%	1,022	100%

Source: Bank Loan Trial Balance

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 its last CRA evaluation on November 28, 2011.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2015 through December 31, 2017. We evaluated FNBH using Small Bank criteria, which collectively form the Lending Test. The bank's primary products are agricultural loans by dollar volume and consumer loans by number of loans. We sampled 28 agricultural loans and 25 consumer loans originated between January 1, 2015 and December 31, 2017.

Data Integrity

We obtained financial and geographic information directly from the bank's loan files.

Selection of Areas for Full-Scope Review

FNBH has one assessment area, which will receive a full-scope review.

Ratings

The bank's overall rating is based on the AA receiving a full-scope review.

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 assessment area 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 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

FNBH's performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

FNBH's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the bank's quarterly average net LTD ratio for 25 quarters from December 31, 2011 through December 31, 2017. The quarterly average net LTD ratios of six similarly situated banks with total assets below \$200 million located in the AA ranges from 49 percent to 85 percent, and averages 69 percent.

Institution	Total Assets (\$000s) As of 12/31/2017	Average Quarterly Net LTD Ratio
First National Bank of Hooker	74,304	53.90
Anchor D Bank	142,035	77.00
Bank of The Panhandle	143,983	65.91
City Bank and Trust Company	170,200	49.44
The Bank of Beaver City	134,725	64.28
The First Security Bank	115,221	73.64
The First State Bank	76,985	84.95

Source: Institution Reports of Condition from December 2011 to December 2017

Lending in Assessment Area

A majority of FNBH's loans, 83 percent by number and 89 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
	#	%	#	%		\$	%	\$	%	
Agricultural	24	85.71	4	14.29	28	3,046	91.40	287	8.60	3,333
Consumer	20	80.00	5	20.00	25	136	59.41	93	40.59	230
Totals	44	83.02	9	16.98	53	3,183	89.34	380	10.66	3,563

Source: Loan sample

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

The overall borrower distribution for the AA is reasonable. Based on the sample of 24 agricultural and 20 consumer loans originated within the AA from January 1, 2015 through December 31, 2017, the distribution of loans reflects a reasonable penetration among farms of different sizes, as well as 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

FNBH's has reasonable penetration among farms of different sizes within the AA. Seventy-nine percent of sampled farm loans were originated to farms with less than or equal to \$1 million in gross annual revenues, slightly below demographic information of 90 percent of AA farms reporting revenues less than or equal to \$1 million.

Borrower Distribution of Loans to Farms				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	90.44	6.25	3.21	100%
% of Bank Loans in AA by #	79.17	12.50	8.33	100%
% of Bank Loans in AA by \$	79.48	11.49	9.03	100%

Source: Loan sample; Dun and Bradstreet data

We also reviewed the distribution of the bank's loans by size. We found that 71 percent of agricultural loan originations 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 by Loan Size				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	17	70.83	641,005	21.04
\$100,001 - \$250,000	6	25.00	958,000	31.45
\$250,001 - \$500,000	0	0.00	0	0.00
Over \$500,000	1	4.17	1,447,373	47.51

Source: Loan sample

Consumer Loans

FNBH has excellent penetration of consumer loans to low- and moderate-income households in the AA. Low- and moderate-income households each received 25.00 percent of the originated loans sampled, which significantly exceeds the demographics for both low- and moderate-income households in the AA at 18 percent and 15 percent, respectively.

Borrower Distribution of Consumer Loans								
	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
Consumer Loans	17.88	25.00	14.70	25.00	17.12	20.00	50.31	30.00

Source: Loan sample, 2015 U.S. Census data

Geographic Distribution of Loans

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

Responses to Complaints

Neither the bank nor the OCC have received any CRA-related complaints 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): 1/01/15 to 12/31/17 Investment and Service Tests and CD Loans: NA	
Financial Institution	Products Reviewed	
The First National Bank of Hooker (FNBH) Hooker, Oklahoma	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
Beaver, Cimarron, and Texas Counties in Oklahoma	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Beaver, Cimarron, and Texas Counties Assessment Area

Demographic Information for Full-Scope Area: Beaver-Cimarron-Texas Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.00	0.00	80.00	20.00	0.00
Population by Geography	29,459	0.00	0.00	91.47	8.53	0.00
Owner-Occupied Housing by Geography	6,789	0.00	0.00	88.35	11.65	0.00
Businesses by Geography	1,375	0.00	0.00	88.58	11.42	0.00
Farms by Geography	272	0.00	0.00	70.59	29.41	0.00
Family Distribution by Income Level	7,227	17.27	18.90	19.16	44.67	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,614	0.00	0.00	91.90	8.10	0.00
Median Family Income = \$55,933 FFIEC Adjusted Median Family Income for 2017 = \$52,800 Households Below the Poverty Level = 1,217				Median Housing Value = \$90,148 Unemployment Rate = 2.5%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 U.S. Census

FNBH has one AA which includes all of Beaver, Cimarron and Texas Counties in the Oklahoma Panhandle. The AA meets the legal requirements as it consists of whole geographies and does not arbitrarily exclude any low- or moderate-income census tracts. All three counties are agricultural-based, centered in cattle and growing crops. The latter includes wheat, corn, and pasture land used for hay.

Economic conditions are stable. Management stated that the economy is directly influenced by crop production and commodity prices. Non-agricultural employers include the Tri-County Electric Cooperative, the Hooker Independent School District, and numerous oil and gas and wind energy companies. Unemployment is highest in Texas County at 2.8 percent, followed by Beaver and Cimarron County each at 2.3 percent. All are below the state of Oklahoma and the nation at 3.9 percent as of December 2017.

Competition is strong given the rural nature of the AA. Nine financial institutions have one or more offices located in the AA. FNBH has an 8.2 percent deposit market share, ranking eighth among these banks. City Bank and Trust Company has the highest deposit market share at 18 percent, with Anchor D Bank and Bank of the Panhandle each at 15 percent.

The AA has a total population of 29,459, a 1.2 percent increase from 2000 Census data. Bank management stated that housing shortage is the main concern within the community as oil and gas and wind energy activity has picked up in the region. This has benefitted the economy as several new businesses have opened in the last five years.

Two individuals in the community were interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining their performance. Local economic growth has been good in recent years despite the inconsistent agricultural results and low commodity prices. FNBH has cooperatively contributed to the majority of the credit needs and continues to be willing to provide credit for the community. The bank has a good public reputation for meeting the credit needs of the community and willingly sponsors various local activities.