



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 10, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Hooker
Charter Number 10566**

**119 N. Broadway
Hooker, OK 73945**

**Comptroller of the Currency
Lubbock (West Texas)
5225 South Loop 289 Suite 108
Lubbock, TX 79424**

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.

FNB Hooker (FNBH) has satisfactory performance under the CRA. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 50.9 percent during the evaluation period.
- FNBH makes a substantial majority of its loans to borrowers within the assessment area. Based on a sample of loans, 96 percent of the number of loans and 99 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNBH has a reasonable penetration of loans to businesses of different sizes, and individuals of different income (including low- and moderate-income) levels.
- A rating of the geographic distribution of the bank's loans would not be meaningful.
- There have been no complaints with respect to FNBH's CRA performance.

DESCRIPTION OF INSTITUTION

FNB Hooker 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. and it primarily serves the residents of Hooker and the surrounding area. HNBI reported total assets of \$48.8 million as of December 31, 2005. There was no merger or acquisition activity during the evaluation period.

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 December 31, 2005, FNBH had total assets of \$48.8 million, with 43 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 December 31, 2005.

Loan Portfolio Composition as of December 31, 2005		
Loan Category	\$ (000)	%
Agriculture Loans	10,205	48.65%
Agriculture RE Loans	3,695	17.62%
Individual loans	1,015	4.84%
Residential Real Estate Loans	2,324	11.07%
Commercial Loans	2,714	12.94%
Commercial RE Loans	461	2.20%
Other loans	562	2.68%
Total	20,976	100.00%

Source: December 31, 2005 Report of Condition

The bank operates a single banking facility in Hooker with the drive up facility attached at that location. 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. The bank was rated "Satisfactory" at the last examination on August 27, 2001. No legal impediments or other factors hinder FNBH's ability to provide credit to its assessment area.

FNBH's business strategy is to provide outstanding banking services to customers in its assessment area, while increasing the long-term value of the owners' investment. FNBH's Tier 1 Capital level is \$6.2 million representing 12.74 percent of adjusted average assets as of December 31, 2005. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF OKLAHOMA PANHANDLE ASSESSMENT AREA

FNBH has designated the three counties in the Oklahoma Panhandle as its assessment area (AA).

The three counties are: Beaver, Cimarron, and Texas. 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 below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	7,850
Number of Households	10,632
Geographies	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0.0
% Moderate-Income Census Tracts/BNA	0.0
% Middle-Income Census Tracts/BNA	80.0
% Upper-Income Census Tracts/BNA	20.0
Median Family Income (MFI)	
2000 MFI for AA	35,517
2000 Weighted Average MFI	41,430
2000 HUD-Adjusted MFI	41,400
Economic Indicators	
Unemployment Rate	2.04
2005 Median Housing Value	\$58,062
% of Households Below Poverty Level	13.00

Source: 2000 Census data HUD updated income data

Based on 2000 Census data, the assessment area has a total population of 29,112. There are 12,316 housing units in the assessment area, of which 61 percent are owner-occupied, 26 percent are renter-occupied, and 13 percent are vacant. Approximately 15 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 16 percent of the population, while middle- and upper-income families comprise the remaining 69 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 Panhandle Telephone and Tri-County Electric.

One community contact was conducted for the purpose of determining a community profile, identifying opportunities for participation by local institutions, and determining the performance of local financial institutions. The contact did not identify any unmet credit needs, though there may be small commercial ventures that have not been able to find financing for their projects. The contact was not familiar with the specific reasons why funding was not received. Bank management had stated that there has been no commercial growth.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA examination is from December 2003 through February 2006, except for the loan-to-deposit ratio. The loan-to deposit ratio was calculated from September 2001 through December 2005. FNBH's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to

businesses of different sizes and individuals of different income (including low- and moderate-income) levels.

Agricultural loans were identified as a primary loan product for the bank based on the dollar volume of lending originated during this evaluation period. Consumer purpose loans were also identified as a primary loan type based on the number originated during this evaluation period. We evaluated the bank’s performance for lending to borrowers of different income levels using this sample.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNBH is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s quarterly average loan-to-deposit ratio was 50.89 percent since the prior CRA examination in August 2001. During the evaluation period, FNBH’s loan-to-deposit ratio ranged from a low of 44.7 percent to a high of 54.4 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 68.5 percent. FNBH’s ability to make a high volume of loans is effected by the proximity of other financial institutions, the availability of multiple branches, and the practice of some residents banking in other communities where they work.

Institution	Total Assets (000’s) (As of 12/31/2005)	Average Loan-to-Deposit Ratio
The Bank of Beaver City, Beaver, OK	69,138	72.26
The First State Bank, Boise City, OK	33,416	70.72
First Security Bank, Beaver, OK	71,552	69.13
The First National Bank of Texhoma, Texhoma, TX	78,612	61.88
First National Bank of Hooker	48,822	50.89

Source: Institution Reports of Condition from September 2001 to December 2005

Lending in Assessment Area

A substantial majority of the bank’s loans were made within its AA. FNBH has more than satisfactory practice of lending to borrowers in the AA. In order to assess performance for this criterion, we reviewed 25 consumer loans and 25 farm loans that originated between December 2003 and February 2006. Our analysis determined that 96 percent of the number of loans and 99 percent of the dollar amount of loans in the sample were extended within the bank’s AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	23	92%	2	8%	25	103,390	97%	2,828	3%	106,218
Farm	25	100%	0	0%	25	4,828,239	100%	0	0%	4,828,239
Totals	48	96%	2	4%	50	4,931,629	99%	2,828	1%	4,934,457

Source: Sample of loans used for CRA performance analysis

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

FNBH’s loan portfolio reflects a reasonable distribution among individuals of various income levels (including low- and moderate-income) and farms of different sizes within their AA. To perform our analysis, we reviewed income information for 56 farms and 21 consumer-purpose loans that originated in the bank’s AA.

Farm Loans - FNBHs lending performance to small farms is reasonable. Of the loans in the small farm purpose sample, 84.4 percent were to farms reporting annual revenues below \$1 million. This level is slightly below the assessment area information and reflects a reasonable penetration of small loans to farms. The following chart reflects the results of our selected sample of farm loans originated in the AA.

Borrower Distribution of Loans to Businesses in Oklahoma Panhandle AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	88.6%	7.1%	4.3%	100%
% of Bank Loans in AA by #	84.4%	3.1%	12.5%	100%
% of Bank Loans in AA by \$	56.4%	34.9%	8.7%	100%

Source: Loan sample; Dunn & Bradstreet

We also considered the distribution of farm loans by size as a proxy for lending to small farms. This analysis was used to further reflect FNBH’s practice of making small farm loans. Of the 64 loans reviewed in this sample, 73.3 percent of the number of loans originated were in amounts of \$100 thousand or less. The following chart reflects the results of this analysis.

Borrower Distribution of Loans to Farms by Loan Size in Oklahoma Panhandle AA				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$10,000	12	18.7	66,311	.7
\$10,001 - \$25,000	12	18.7	218,637	2.3
\$25,001 - \$100,000	23	35.9	1,217,955	12.9
\$100,001 - \$250,000	9	14.1	1,409,700	14.9
\$250,001 - \$500,000	5	7.8	2,132,000	22.6
Over \$500,000	3	4.7	4,410,000	46.6

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 percent of households in the AA are low- and moderate-income. Our review determined that 47.6 percent of consumer loans were made to low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Table 5 - Borrower Distribution of Consumer Loans in Oklahoma Panhandle AA				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER

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
Total	16.94%	33.33%	14.06%	14.29%	17.63%	29.00%	51.37%	24.00%

Source: Loan sample; 2000 U.S. Census data

Geographic Distribution of Loans

Because there are no low- or moderate-income tracts in the AA, we did not perform a review of the bank's geographic distribution for loans. It would not be meaningful.

Responses to Complaints

There were no complaints regarding the bank's CRA performance. FNBH has systems in place to ensure that complaints are addressed in a timely manner.

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.