



SMALL BANK

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

PUBLIC DISCLOSURE

June 24, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security First National Bank of Hugo
Charter Number 14578**

**100 South Broadway
Hugo, OK 74743**

**Comptroller of the Currency
7134 South Yale, Suite 910
Tulsa, OK 74136**

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.

TABLE OF CONTENTS

INSTITUTIONS CRA RATING.....	2
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT ARE	4
CONCLUSIONS ABOUT PERFORMANCE.....	5-8

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Security First National Bank of Hugo (SFNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 24, 2010. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- The bank's lending performance is reasonable given its size, financial condition, and known credit needs in its assessment area.
- The bank's loan-to-deposit ratio is more than reasonable and meets the standard for outstanding performance.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals and small businesses.
- The bank generates a majority of its loans within the defined assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

Scope of Examination

SFNB was evaluated under the Small Bank examination procedures. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The lending test for SFNB covers its performance from December 31, 2007 through June 10, 2010 which is representative of its lending strategy since the last CRA examination.

DESCRIPTION OF INSTITUTION

Security First National Bank (SFNB) is a rural community bank located in Hugo, Oklahoma. SFNB is 100% owned by Sooner Southwest Bankshares, Inc. The bank and a drive-thru facility are located downtown at 100 S. Broadway in Hugo. SFNB has one branch which is located at 1907 East Jackson in Hugo. The bank's primary focus is to serve commercial and consumer customers in Choctaw County and the surrounding areas. The bank meets these needs by providing various loan and deposit products and financial services. SFNB does issue combination automated teller machine (ATM) cards/check cards. SFNB also offers Internet Banking and 24-hour telephone banking. The bank's lending strategy focuses on one-to-four family real estate loans, commercial loans, and farm real estate loans to meet the needs of the community. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

As of March 31, 2010 SFNB's total assets equaled \$104,314 million, of which \$71,521 million, or 68.56 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	11,854	16.57%
Commercial Loans	4,846	06.78%
Residential Real Estate Loans	22,504	31.46%
Farm Production Loans	1,459	02.04%
Farm Real Estate Loans	25,331	35.42%
Consumer Loans	4,691	06.56%
Other Loans	836	01.17%
Total	71,521	100%

The main bank lobby services customers Monday through Friday, from 9:00am - 4:00pm, while the drive-thru services customers from 8:00am-5:00pm, Monday through Friday. The branch lobby services customers on Monday through Friday, from 9:00am – 4:00pm and Saturday 9am-12 noon, while the drive-thru services customers from 8:00am-5:00pm Monday through Thursday and 8:00am to 6:00pm on Friday as well as 8:30am-12 noon on Saturday. SFNB has one ATM which is located at the branch.

SFNB faces strong competition from several other financial institutions in the AA. Based on its financial condition, local economy, product offerings, competition, and prior performance, SFNB has the ability to meet the various credit needs in its community. At our last CRA examination as of May 24, 2005 the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

SFNB's assessment area (AA) consists of 5 contiguous census tracts within Choctaw County in southeastern Oklahoma near the Oklahoma/Texas border. This AA meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The following table describes major demographic and economic characteristics of the assessment area.

Source: 2009 Business Geodemographic Data; 2000 U.S. Census Data

Demographic Information					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	5	0	60%	40%	0
Population by Geography	15,342	0	56.02%	43.98%	0
Owner-Occupied Housing by Geography	7,539	0	56.54%	43.46%	0
Businesses by Geography	1,567	0	41.48%	58.52%	0
Farms by Geography	61	0	54.10%	45.90%	0
Family Distribution by Income Level	4,329	30.88%	19.10%	19.57%	30.45%
Household Distribution by Income Level	6,236	33.05%	17.25%	17.11%	32.58%
Census Median Family Income (MFI)	\$35,517	Median Housing Value 2008			44,045
HUD-Adjusted MFI: 2009	\$46,400	Families Below the Poverty Level			25.24%
HUD-Adjusted MFI: 2008	\$44,000	Unemployment Rate			7.06%
HUD-Adjusted MFI: 2007	\$42,400				

The local economic conditions are stable, with limited growth over the past several years. The area economic base is primarily concentrated in retail trade and services. The majority of residents in the area work in Hugo, with a few who commute to jobs at plants in Valliant, Oklahoma and Paris, Texas. The major employers in the assessment area consist of Choctaw Nation (social services), Little Dixie (social services), Wal-Mart Supercenter and Choctaw Casino.

We conducted a community contact interview with a local community organization to learn about credit opportunities within the community and whether financial institutions address the credit and service needs of the community. The contact indicated that all financial institutions in the AA do a good job of meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank's primary loan products. As of March 31, 2010, the bank's primary loan products are residential real estate, commercial and agricultural real estate. Therefore, the loan sample consisted of loans from December 31, 2007 through June 10, 2010, which is indicative of the bank's lending patterns since the last CRA exam.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio since the last evaluation of 80.58 percent. The quarterly average of peer banks during the same timeframe was 72.43 percent.

Lending in Assessment Area

A substantial majority of SFNB's loans are made within the assessment area and thus shows a more than reasonable market share penetration within the banks defined AA. Our analysis determined that 70% of the number and 63.30% of the dollar amount of loans were made within the assessment area. The following chart details our findings from the sample.

Loans Within Bank's AA										
Loan Type	Number of Loans					Dollars of Loans (000) thousands				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	14	70%	6	30%	20	\$1,030	62.93%	\$607	37.07%	\$1,637
Commercial	13	65%	7	35%	20	\$246	48.49%	\$262	51.51%	\$508
Agriculture	15	75%	5	25%	20	\$356	81.91%	\$78	18.02%	\$434
Totals	42	70%	18	30%	60	\$1,633	63.30%	\$947	36.70%	\$2,580

Source: Loan Sample

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

SFNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent a reasonable distribution of lending based on the random sample of 20 residential real estate loans, 20 commercial loans and 20 farm loans extended within the assessment area.

Table 2 – Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	30.88%	7.14%	19.10%	0.00%	19.57%	28.57%	30.45%	64.29%

Source: Loan sample and U.S. Census data.

The number of real estate loans extended to low- and moderate-income families compares reasonably to the percentages of those families represented in the assessment area. The low number of low and moderate income borrowers in which the bank has extended residential loans, can be attributed to the fact that lower income individuals have less resources to enable them to purchase residential real estate.

Table 2A - Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	65.35%	2.04%	32.61%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample and U.S. Census data.

All of the business loans sampled were extended to small businesses with gross revenues of less than \$1 million per year, this exceeds the standard.

Table 2A - Borrower Distribution of Loans to Farms in Choctaw County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	96.72%	1.64%	1.64%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample and U.S. Census data.

All of the farm loans sampled were extended to farms with gross revenues of less than

\$1 million per year. This exceeds the standard.

Geographic Distribution of Loans

The following tables represent excellent dispersion of lending based on the random sample of 20 residential real estate loans, 20 commercial loans and 20 farm loans extended within the assessment area.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Choctaw County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0.00%	0.00%	56.54%	57.14%	43.46%	42.86%	0.00%	0.00%

Source: Loan sample and U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in Choctaw County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	0.00%	0.00%	41.48%	83.33%	58.52%	16.67%	0.00%	0.00%

Source: Loan sample and U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Choctaw County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Farm Loans	0.00	0.00	54.10	60%	45.90	40%	0.00	0.00

Source: Loan sample and U.S. Census data.

Qualified Investments and CD Services

SFNB participates in the Homeownership Set-aside Program (HSP). This program provides down payment assistance to first-time homebuyers in rural areas whom the bank has turned down for bank home loan products. These persons as well as all loan application information are referred to Little Dixie Community Action Agency, Inc. Eligible borrowers must have an income that is 80 percent or less of the area median,

based on income of all household members age 18 and over. Since 2006 SFNB has assisted 42 homebuyers with a total of \$171,000 dollars. The money is in the form of a pass through grant in conjunction with Federal Home Loan Bank of Topeka. Homebuyers can use HSP funds for down payment, closing cost and rehabilitation assistance on a home that is outside the urbanized area of a central city of a MSA in Colorado, Kansas, Nebraska and Oklahoma. HSP funds may also be used to assist existing homeowners with the cost of repairing or reconstructing damaged property located within rural federally declared disaster areas.

Responses to Complaints

SFNB has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

A fair lending review was performed as of July 15, 2008 to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - Equal Credit Opportunity Act (ECOA). We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of the ECOA. In addition the compliance officer for SFNB performed a fair lending self-assessment in March 2008. The scope of the review included a comparative file review of the following products: unsecured loans, CD secured loans, commercial equipment loans, automobile loans, and real estate loans. No discriminatory findings were noted.