



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 19, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Security National Bank of Enid
Charter Number: 14315

100 South Independence Avenue
Enid, OK 73702

Office of the Comptroller of the Currency

Tulsa Field Office
7134 South Yale Avenue, 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.

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory”

The major factors supporting the institution's rating include the following:

- A majority of the bank's loans were originated within the bank's assessment area (AA);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance; and,
- The bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of 31 home mortgage loans and 29 small business loans originated in 2010 and 2011. Conclusions regarding the Community Development Test are based on community development activities from May 23, 2005 through June 11, 2012.

A Data Integrity examination was conducted in February 2012 to evaluate the bank's policies and processes for compliance with the Community Reinvestment Act (CRA) and its community development activities. We found these processes to be effective. The Bank is not subject to the data collection rules of the Home Mortgage Disclosure Act since none of its banking centers are located in a metropolitan statistical area.

DESCRIPTION OF INSTITUTION

The Security National Bank of Enid (SNB) is a \$339 million financial institution headquartered in Enid, Oklahoma. The bank is a wholly owned subsidiary of Security Financial Services Corporation, a one bank holding company located in Enid, Oklahoma. As of December 31, 2011, the holding company had total assets of \$338 million.

SNB has two branches not including the main office. The two branches have lobby and drive-through lanes and two automated teller machines (ATMs) and all three locations are in Enid, Oklahoma. Each branch location has a non-deposit taking drive-up ATM. The bank closed two non-deposit taking ATM locations. One was located in an upper-income level tract and one in a middle-income level tract during the evaluation period. Both ATM's were located inside Jumbos grocery stores. The ATM's were removed per the grocery store's request. Jumbos had signed a contract with another ATM provider. No branches have closed since the previous CRA examination.

Location	Address	City
Main Bank	201 West Broadway	Enid
Service Center	201 West Maine	Enid
West Branch	210 North Oakwood	Enid

SNB is a full-service banking institution offering a range of commercial, real estate, agriculture, and consumer credit products. Net loans and leases represent 50 percent of the bank's total deposits. On December 31, 2011, the bank's \$155.3 million loan portfolio consisted of \$94.5 million (61 percent) in commercial loans, \$16.4 million (11 percent) in agricultural loans, \$36 million (23 percent) in real estate loans and \$8.4 million (5 percent) in consumer loans.

There were no merger or acquisition activities that affected the bank's operations during the evaluation period. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in Garfield County. The bank's CRA performance was last evaluated on May 23, 2005. The bank received an overall rating of "Satisfactory" under the Small Bank Performance Standards. SNB became an Intermediate Small Bank for CRA purposes in January 2010.

Description of Assessment Area

The AA adopted by SNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

SNB's AA consists of Garfield County, a non-metropolitan area located in north central Oklahoma. The AA has 11 census tracts (CTs), which are designated 9 percent moderate-income, 73 percent middle-income, and 18 percent upper-income. There are no low-income CTs in the AA and only one moderate-income CT.

The following table describes major demographic and economic characteristics of the AA, based on 2000 U.S. Census data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	15,875
Number of Households	23,220
Geographies	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	9.09%
% Middle-Income Census Tracts/BNA	72.73%
% Upper-Income Census Tracts/BNA	18.18%
Median Family Income (MFI)	
2000 MFI for AA	\$35,517
2011 HUD-Adjusted MFI	\$47,200
Economic Indicators	
Unemployment Rate	3.9%
2000 Median Housing Value	\$58,214
% Of Households Below Poverty Level	13.11%

SNB's AA had a 2000 U.S. Census population of 57,813. The HUD updated median family income for 2011 is \$47,200. Thirteen percent of the households live below the poverty level and 29 percent receive Social Security. The total number of housing units in the AA are 26,047 with 16,274 (62 percent) owner-occupied and 6,901 (26 percent) renter-occupied. Eighty-eight percent of the available housing units are occupied.

Garfield County has 15 cities/towns. The largest and county seat is Enid. The local economy is doing well. There are multiple opportunities for employment. Major employers in Enid include Advance Pierre Food Company, Computer Science Corp (CSC), Vance Air Force Base, Enid Public Schools, Integris Bass Baptist Health Center, St. Mary's Regional Medical Center, StarTek Inc, City of Enid, Hammer Williams Company, Wal-Mart Stores, Inc and NORCE. Each employer provides 300 to 1,850 jobs each. Enid functions as a regional retail and medical center for surrounding counties. At December 2011, Garfield County had a low unemployment rate of 3.9 percent.

SNB has the second largest deposit market share of all the banks in the AA area with 24.68 percent as of June 2011. Within the AA there are 14 financial institutions. The bank with the largest deposit market share has 25.81 percent of the deposits. SNB's primary competitors include Central National Bank, Bank of Kremlin and Tinker Federal Credit Union.

A community contact was conducted during the examination to help ascertain the credit needs of the AA. The contact felt that the economy of Enid appears to be more stable than the surrounding areas. According to the contact, there is a need for affordable housing and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the Lending Test is rated "*Satisfactory*". This Performance Evaluation assesses SNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate SNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 29 small business loans and 31 home mortgage loans that originated from January 1, 2010 through December 31, 2011 was selected. Based on the analysis and consistent with available resources and capabilities, SNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

SNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio at March 31, 2012 was 49 percent. The bank's average quarterly LTD ratio from March 31, 2005 through March 31, 2012 was 47 percent. This average was compared to the average of four similar banks located in SNB's AA or the surrounding counties, with total assets between \$200 million and \$500 million, for the same time period. These average LTD ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 12/31/11 (000's)	Average LTD Ratio
<i>The Security National Bank of Enid, OK</i>	\$333,662	47.17%
Banccentral, National Association, Alva, OK	\$295,281	48.13%
Exchange Bank & Trust, Perry, OK	\$223,328	69.80%
The Eastman National Bank of Newkirk, OK	\$208,108	85.57%
Legacy Bank, Hinton, OK	\$463,207	82.82%

Source: Institution Reports of Condition from March 31, 2005 to March 31, 2012

SNB's LTD ratio is less than the average of the four comparable banks of 71.58 percent. SNB's lower average LTD ratio is partially attributed to the bank's history of conservative underwriting and lack of quality loan demand. Also contributing to the lower ratio is the growth in deposits that the bank has not been able to deploy into loans. Much of the deposit growth is the result of increased deposits from the robust oil and gas and agriculture industries, which has reduced the need to borrow. The Enid market is also faced with strong competition from several other financial institutions.

Lending in Assessment Area

SNB's lending in its AA meets/the standard for satisfactory performance. A majority of the number of home mortgage and small business loans were originated within the bank's AA. As depicted in the table below 80.00 percent of the number and 50.28 percent of the dollar amount of loans were originated in SNB's AA. The dollar amount of loans outside of the AA was skewed by a few large business loans that were included in the sample.

LENDING IN AA										
Number of Loans					Dollars of Loans (000's)					
Loan Type	#	Inside	Outside	Total	Inside	Outside	\$	%	Total	
Residential Real Estate	25	80.65%	6	19.35%	31	\$3,119	87.20%	\$458	12.80%	\$3,577
Small Business	23	79.31%	6	20.69%	29	\$3,873	37.50%	\$6,456	62.50%	\$10,329
Totals	48	80.00%	12	20.00%	60	\$6,992	50.28%	\$6,914	49.72%	\$13,906

Source: *Loan Samples*.

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

SNB's borrower distribution of home mortgage loans and small business loans in the AA is reasonable and meets the standard for satisfactory performance.

The bank's distribution of home mortgage loans is satisfactory. While the percentage of home mortgage loans to low-income borrowers is less than the percentage of low-income families in the AA, the percentage of loans to moderate-income borrowers is near to the percentage of moderate-income families. This performance is reasonable in light of the fact that these families have a difficult time qualifying for conventional home mortgage products.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
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
Home Mortgage	15.45%	4.00%	15.10%	12.00%	23.69%	20.00%	45.76%	64.00%

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

The bank's borrower distribution to businesses with revenues of \$1 million or less is reasonable. The percentage of bank loans by number exceeds the percentage of reporting businesses with revenues of \$1 million or less in the AA. The percentage of bank loans by dollar is less than reporting businesses. This percentage is skewed by one loan in the sample to a business with revenues greater than \$1.0 million that represented half of the sample size by dollar. Note that 20.01 percent of the businesses in the AA did not report income data.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.99%	4.00%	20.01%	100%
% of Bank Loans in AA by #	95.65%	4.35%	N/A	100%
% of Bank Loans in AA by \$	61.27%	38.73%	N/A	100%

Source: *Loan sample; Dunn and Bradstreet data.*

Geographic Distribution of Loans

SNB's geographic distribution of home mortgage and small business loans in the AA is reasonable and meets the standard for satisfactory performance.

SNB's AA contains no low-income tracts and only one moderate-income tract. As a result, the geographic distribution of loans carries less weight in terms of performance than lending to borrowers of different incomes and to businesses of different sizes.

The geographic distribution of small business loans reflects a reasonable dispersion. The distribution of business loans located in moderate-income census tracts is near to the percentage of small businesses located in those tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Small Business Loans	0.00%	0.00%	5.51%	4.35%	72.09%	78.26%	22.40%	17.39%

Source: *Loan sample; Dunn and Bradstreet data.*

The geographic distribution of home mortgage loans is reasonable. The distribution of home mortgage loans located in moderate-income census tracts is near to the percentage of owner-occupied housing in the AA. A lower penetration is partly due to the relatively low level of owner occupied housing in that tract.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	0.00%	0.00%	8.52%	4.00%	61.85%	56.00%	29.62%	40.00%

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

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

CD Loans, Qualified Investments, and CD Services Test

The bank's performance under the Community Development Test is rated "*Satisfactory*". SNB's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

Opportunities for qualified community development loans and investments are limited in the bank's AA. A majority of the AA is comprised of rural, low-density areas. The largest city in the AA is Enid, which has a population of 60,000. Currently, there are no major community development projects underway in Enid.

SNB is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals or provide affordable housing. The bank is also involved with, invests in, or lends to organizations whose focus is on community or economic development. For example, bank officers have been active in holding leadership positions and making significant donations to the Chamber of Commerce and other economic development organizations within the bank's AA, which are primarily involved in community or economic development and small business creation.

Community Development Loans

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

The bank has originated or renewed 18 community development loans totaling \$5.3 million during the evaluation period. Seven loans totaling \$3.3 million provided economic development by financing local infrastructure and creating jobs. Nine loans totaling \$1.3 million provided both single family and multi-family affordable housing. Two loans totaling \$659 thousand were extended to a local non-profit who provides services to troubled youth. Below are details on the community development loans originated by the bank during the evaluation period.

The bank extended a \$1.5 million loan to purchase an airplane hanger and equipment, a \$1.0 million loan for operating funds and a \$625 thousand loan to purchase equipment. SNB partnered with a local economic development organization to fund these loans. The financing qualified for an economic development tax credit program offered through the State of Oklahoma. This business has created approximately 25 jobs for low- and moderate-income individuals.

SNB financed a start up business that converts vehicles to CNG through the Autry Technology Centers' "business incubator" program. This program awards low cost lease arrangements and operational support for entrepreneurial ventures in Northwest Oklahoma. The bank made three loans to the business totaling \$131.5 thousand. A loan for \$65 thousand was extended for operating purposes. A second loan for \$37.5 thousand was extended for equipment and a third loan for \$29 thousand to purchase a company vehicle.

SNB extended a loan for \$50 thousand to a local business for computer equipment. The loan was in participation with the Enid Regional Development Alliance. This organization offers loans to small start-up businesses. Many loan recipients are low- to moderate-income individuals with new businesses that would not otherwise qualify for a traditional loan.

SNB has extended several loans to a local real estate investor who has purchased several single and multi-family affordable rental properties. The bank extended a loan for \$119 thousand to purchase an 8 unit apartment complex, a \$381 thousand loan to purchase a 24 unit apartment complex, and a \$125 thousand loan to refinance a 23 unit apartment complex. All three properties are affordable with rents in the \$400 to \$500 per month range. The bank also extended a \$100 thousand line of credit for rehabilitation expenses. This loan was renewed February 2012 for the same amount.

SNB has extended three loans totaling \$542 thousand to a local real estate investor who purchases affordable single family residences. A loan for \$200 thousand is secured by 6 single family affordable rental properties. A loan for \$92 thousand is secured by a single family affordable residence. The bank also extended a loan for \$250 thousand line of credit for property purchases and rehabilitation expenses.

SNB has extended three loans totaling \$138 thousand to a local real estate investor who purchases affordable single family residences. A loan for \$100 thousand was secured by two homes, a loan for \$23 thousand was secured by one home and a loan for \$15 thousand was secured by a home. All of the properties have affordable rents in the \$400 per month range.

SNB made a loan for \$584 thousand to construct a new youth shelter and a \$75 thousand for operating expenses to an organization that provides services to teens in DHS custody. This organization provides numerous services to troubled youths to include financial education, chemical abuse programs, job preparation programs and temporary shelter.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

During the evaluation period, the bank made numerous qualified donations totaling \$241 thousand. The bulk of the donations are to local schools for capital improvements. Other donations are to local nonprofits that support community services that target low- and moderate-income families and individuals and economic and small business development. Specific examples of the bank's more significant donations to qualifying community development organizations are described below.

- ***Enid Board of Education***

SNB donated over \$100 thousand for capital improvements to local schools. Enid schools are Title 1 schools where over 50 percent of the school kids qualify for free or reduced lunches.

- ***Community Development Support Association (CDSA)***
SNB pledged \$50 thousand to CDSA's capital campaign. SNB's first payment of \$16.6 thousand was given in 2009. SNB gave the same amounts in 2010 and 2011. CDSA provides services to low- and moderate-income individuals to include down payment assistance, assistance to disabled and underemployed/unemployed individuals with work training and placement programs, and assistance to low-income families with prescription medications at reduced or no cost.

Community Development Services

Bank officers have served in leadership positions on organizations that provide community services to low- and moderate-income families and affordable housing and provided technical expertise and financial assistance to these organizations. Bank officers also serve in leadership positions on organizations that are involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***Enid Regional Development Alliance***
This organization offers loans to small, start up businesses within the community. Many of the loan recipients are low- to moderate-income individuals with new businesses that would not otherwise qualify for a traditional loan. The Alliance mobilizes the ideas, efforts and resources of governments, businesses and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues and expand access to education and technology. A bank officer serves as a board member and another bank officer serves as a member of the business incubator arm of the organization.
- ***Enid Chamber of Commerce***
Bank officers serve on the Board and Marketing Committee. The Enid Chamber of Commerce is involved in multiple areas, such as education, local economic development, Federal and State economic development and membership development. Their mission is to serve the community through enhancement of the economic climate and quality of life in Enid and the surrounding area. They are also involved with other organizations to support continued development of affordable quality housing in Enid.
- ***United Way***
Bank officers serve on the board of this organization. United Way member agencies provide a variety of social services to low- and moderate-income families in the Enid area.
- ***Community Development Support Association (CDSA)***
Three bank officers serve on various committees with this organization. This non-profit's mission is to work with others to identify needs, secure resources, and deliver

services to improve lives in the community. The CDSA provides early childhood training and education, promotes self sufficiency to disabled individuals, and facilitates community research and planning. The CDSA provides down payment assistance to low- and moderate-income families, assists persons with disabilities and unemployed/underemployed individuals with work training and placement programs.

- ***Habitat for Humanity***

This is an international non-profit organization devoted to building simple, quality affordable housing. A bank officer serves on the board of this organization.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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