



PUBLIC DISCLOSURE

December 14, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security First National Bank of Hugo
Charter Number 14578

100 South Broadway
Hugo, OK 74743

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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.

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 December 14, 2015. 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: The institution is rated **Satisfactory**.

SFNB has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The loan-to-deposit (LTD) ratio is *reasonable* based on the bank's performance context and lending opportunities inside its assessment area (AA), and the bank meets the standards of satisfactory performance.
- A *substantial majority* of the number and dollar level of the bank's residential real estate and commercial real estate loans originated during the review period is inside the bank's AA, and the bank exceeds the standards of satisfactory performance.
- Lending patterns for residential real estate loans and commercial real estate loans reflect a *reasonable penetration* of loan originations among borrowers of different income levels and businesses with different revenue levels, and the bank meets the standards of satisfactory performance.
- Lending patterns for residential real estate loans and commercial real estate loans during the review period indicate *reasonable dispersion* of loans throughout the Choctaw County AA, and the bank meets the standards of satisfactory performance.

SCOPE OF CRA EVALUATION

We evaluated SFNB using the Small Bank standards for assessing performance, which includes a lending test to evaluate the bank's record of meeting the credit needs of the bank's assessment area. The bank's primary loan products include residential real estate loans and commercial real estate loans (CRE). The lending test evaluates the bank's record of meeting the credit needs of its assessment area, and we assessed the bank's performance under this test using a loan sample of 20 residential real estate loans and 20 CRE loans.

The sample is representative of the bank's general business strategy since the previous CRA Performance Evaluation. SFNB is not subject to the data reporting requirements of the Home Mortgage Disclosure Act.

DESCRIPTION OF INSTITUTION

Security First National Bank (SFNB) is a rural community bank headquartered in Hugo, Oklahoma, and a subsidiary of Sooner Southwest Bancshares, Inc., a three-bank holding company. A CRA Performance Evaluation was last prepared as of June 24, 2010, and a "Satisfactory" rating was assigned. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the AA.

During the review period, the bank met deposit and credit needs of the AA through the main bank and drive-thru facility, located at 100 South Broadway, and a branch facility (including drive-thru service) located at 1907 East Jackson, both located in Hugo, Oklahoma. SFNB issues automated teller machine (ATM) cards that can be used at ATM's throughout the AA, and the bank has one proprietary ATM located at the branch facility.

To help meet the banking needs of its AA, SFNB offers a variety of loan and deposit services during reasonable business hours, Monday through Saturday. The bank also offers banking services by telephone and the Internet. The bank's current business strategy includes providing a variety of loan and deposit services inside the bank's AA, consistent with safe and sound operations, and there are no immediate plans to materially change this strategy.

The following table describes the composition of the bank's loan portfolio as of September 30, 2015, which represents approximately 78 percent of total assets. Management does not anticipate any significant changes in the composition of the portfolio in the near future.

Loan Category	\$(000's)	%
CRE Loans	14,650	18
Commercial Loans	1,952	2
Residential Real Estate Loans	24,989	31
Construction Loans	1,236	2
Farm Production Loans	1,829	2
Farm Real Estate Loans (includes homestead on farm)	27,510	35
Consumer Loans	4,371	6
Other Loans	3,067	4
Total	79,604	100

Source: September 30, 2015 Consolidated Reports of Condition and Income (Call Report)

DESCRIPTION OF ASSESSMENT AREA

The bank's delineated AA is Choctaw County, Oklahoma, which includes five contiguous census tracts (CT) comprising two moderate-income CT and three middle-income CT. Both of the banking facilities are located in a moderate-income census tract. The AA meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income geographies. The level of banking competition in the AA is moderate, and includes four branches of non-local banks. Based on the June 30, 2015 Federal Deposit Insurance Corporation (FDIC) Market Share report, the bank's presence in the Choctaw County AA is moderate, as they have 32 percent of the deposit market share. The local economic conditions are stable, with some limited growth during the previous several years. The area economic base is primarily concentrated in retail trade and services. Many of the local residents work in Hugo, with some who commute to jobs at plants in Valliant, Oklahoma and Paris, Texas. The major employers in the AA include Hugo Public Schools, Choctaw Nation (social services), Little Dixie (social services), and the Wal-Mart Supercenter.

The following table provides key demographic and economic characteristics of the AA.

<i>Demographic Information of Assessment Area</i>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	5	0	40	60	0
Population by Geography	15,205	0	40	60	0
Owner-Occupied Housing by Geography	7,557	0	29	71	0
Businesses by Geography	878	0	63	37	0
Farms by Geography	93	0	16	84	0
Family Distribution by Income Level	4,035	32	20	17	31
Household Distribution by Income Level	6,145	35	20	14	31
Weighted average of Median Family Income (MFI)	\$38,486	Median Housing Value 2014			\$66,921
Weighted average of HUD updated MFI: 2012	\$51,200	Households Below the Poverty Level			23%

Source: 2014 Geo-demographic Data; 2010 United States Census data

Community Contact

During the evaluation process, we contacted a local community leader inside the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact indicated general stability with the local economy, and a perceived need inside the AA for additional rental housing. The contact stated that local financial institutions are actively involved in trying to meet the credit and development needs of the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SFNB's LTD ratio is *reasonable*, relative to their performance context and rural location. Since the previous CRA Performance Evaluation, the bank's quarterly average LTD ratio averaged 86 percent, compared to an 83 percent aggregate average by three other competing banks inside the AA.

Lending in Assessment Area

Our loan sample disclosed that a *substantial majority* of the number and dollar level SFNB's residential real estate loans and commercial real estate loans are inside the bank's AA. The following table presents a more specific identification of loan types inside and outside of the bank's AA.

Lending inside the Choctaw County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	16	80	4	20	20	1,764	79	470	21	2,234
Commercial RE	14	70	6	30	20	902	68	418	32	1,320
Totals	30	75	10	25	40	2,666	75	888	25	3,554

Source: Loan Sample

Lending to Borrowers of Different Incomes

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels, and businesses with different revenue levels. Bank management attributes the relatively low percentage of residential mortgage loans to low-income borrowers, to a couple of factors, including the low level of demand for the product due to the low number of quality, available housing units in the assessment area. Additionally, non-banking options for low-income or subsidized housing are provided locally by Little Dixie Community Action Agency, The Choctaw Nation, and USDA Rural Development. The following tables present a more specific identification of loan distribution patterns among borrowers inside the banks AA.

Borrower Distribution of Residential RE Loans inside the Assessment Area								
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 RE	32.54	18.75	19.68	31.25	17.05	12.50	30.73	37.50

Source: Loan Sample; 2010 United States Census data; Loan Sample

Borrower Distribution of CRE Loans to Businesses by Business Revenues inside Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.11	3.53	28.36	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: Dunn & Bradstreet Data; Loan Sample

Borrower Distribution of CRE loans to Businesses by Loan Size inside the Assessment Area				
Loan Size (\$000's)	Number of Loans	Percent of Number	Dollar Level of Loans	Percent of Dollar Level
\$0 - \$100,000	17	85	678,133	51
\$100,001 - \$250,000	3	15	641,814	49
\$250,001 - \$500,000	0	0	0	0
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	0	0	0	0
Total	20	100	1,319,947	100

Source: Loan sample

Geographic Distribution of Loans

Lending patterns during the review period indicate *reasonable dispersion* of loans throughout the Choctaw County AA, particularly in the moderate-income census tracts. The following table reflects the geographic distribution of residential real estate loans and CRE loans, relative to the income level of the census tracts inside the AA.

Geographic Distribution of Residential Real Estate Loans in Assessment Area								
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	0.00	0.00	29.41	43.75	70.59	56.25	0.00	0.00

Source: Loan Sample; 2010 United States Census Data

Geographic Distribution of CRE Loans to Businesses in Assessment Area								
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
CRE	0.00	0.00	63.33	85.71	36.67	14.29	0.00	0.00

Source: Loan Sample; Dunn & Bradstreet Data.

Responses to Complaints

There have been no consumer complaints regarding SFNB’s performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank’s CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank’s (bank) or Federal Savings Association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.