



PUBLIC DISCLOSURE

August 11, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Security National Bank of Enid
Charter Number 14315
201 West Broadway Enid, OK 73702

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 The Security National Bank of Enid (SNB), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of August 11, 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: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

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

- The loan-to-deposit (LTD) ratio is *reasonable*, and the bank meets the standard for satisfactory performance;
- A *substantial majority* of the number and dollar level of the bank's loans originated during the review period is inside the bank's assessment area (AA), and the bank exceeds the standard for satisfactory performance;
- Lending patterns for residential real estate and business loans reflect a *reasonable penetration* of loan originations to borrowers of different income levels, and businesses of different sizes, and the bank meets the standard for satisfactory performance;
- Lending patterns for residential real estate and business loans reflect a *reasonable dispersion* of loans inside the bank's AA, and the bank meets the standard for satisfactory performance; and
- The bank's Community Development performance demonstrates *adequate responsiveness* to the community development needs of its AA.

Scope of Examination

We evaluated SNB using the Intermediate Small Bank (ISB) examination procedures. This CRA Performance Evaluation (PE) assesses the bank's performance under the Lending Test and Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities from January 2, 2012 through December 31, 2013. Performance factors under the Lending Test include 1) LTD ratio, 2) lending in the AA, 3) borrower distribution, 4) geographic distribution, and 5) responses to complaints. The CD Test evaluates the bank's responsiveness to the identified CD needs in its AA through four performance factors. These include 1) CD Loans, 2) Qualified Investments, and 3) CD Services activities from June 19, 2012, the date of the previous PE, through August 11, 2015, the date of the current evaluation.

We assessed performance under the Lending Test based on a review of the bank's primary loan products, which include residential real estate loans and small business loans (including commercial real estate and commercial & industrial loans). Our sample included 20 loans for each of the primary loan categories that originated during the evaluation period, and is representative of the bank's business strategy since the previous CRA PE. We also verified CD loans, qualified investments, and CD services provided by bank management to ensure they meet the regulatory definition of Community Development. The Bank is not subject to the data collection rules of the Home Mortgage Disclosure Act.

Description of Institution

The Security National Bank of Enid (SNB) is a \$329 million community bank headquartered in Enid, Oklahoma, and subsidiary of Security Financial Services Corporation, a one-bank holding company also located in Enid, Oklahoma. The OCC last prepared a CRA PE as of June 19, 2012, and we assigned a "Satisfactory" rating. SNB became subject to the ISB CRA evaluation procedures on January 1, 2010. There are no legal or financial impediments to SNB's ability to meet the credit and CD needs of its AA.

The bank meets the banking needs of its AA by providing various loan and deposit products, as well as other financial services. Bank offices include the main facility and two branch offices, all located in Enid, Oklahoma. The main bank and Service Center branch are located within a moderate-income census tract (tract), and the West Branch is located within an upper-income tract. Each branch has lobby access, drive-thru lanes, and an automated teller machine (ATMs). The ATM's do not accept deposits. SNB provides main bank lobby and branch bank services during reasonable hours Monday through Friday, with extended hours, including Saturday service, offered at each branch or drive-thru location. The bank also offers banking services by telephone and the internet. The bank's general 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 change this strategy. There were no bank offices or ATM's opened or closed during the evaluation period, and the bank did not initiate any mergers or acquisitions.

The following table provides detail regarding the composition of SNB's loan portfolio, which represents 55 percent of total assets as of June 30, 2015:

Loan Type	\$(000's)	% of Portfolio
Construction and Land Development	\$6,790	4%
1-4 Family Real Estate 1 st REM	\$60,770	33%
Commercial Real Estate	\$64,742	36%
Multifamily Residential	\$3,244	2%
Commercial and Industrial	\$18,330	10%
Consumer Loans	\$10,561	6%
Agriculture and related	\$14,633	8%
Other categories	\$1,935	1%
Total Loan Portfolio	\$181,005	100%

Source: June 30, 2015 Consolidated Reports of Condition and Income

Description of Assessment Area

The bank's AA meets the requirements of the regulation, consists of whole geographies, and does not arbitrarily exclude low- or moderate-income geographies. SNB designated Garfield County, a non-metropolitan statistical area located in north central Oklahoma, as its AA. The area comprises 12 census tracts (CT), including 2 moderate-income CT, 7 middle-income CT, and 3 upper-income CT. There are no low-income CT in the AA. The level of banking competition in the AA is significant, and includes approximately 13 banks and branches of non-local banks. Based on the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank's presence in the AA is significant, as they have 23 percent of the deposit market share. The local economy is diversified, and the most significant industries include military, light manufacturing, health care, city government, public schools, and farming

The following table provides a summary of key demographic and economic characteristics of the AA, based on 2010 United States Census data.

Demographic Information – AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	12	0%	17%	58%	25%
Population by Geography	60,580	0%	20%	54%	26%
Owner-Occupied Housing by Geography	15,987	0%	47%	56%	77%
Businesses by Geography	4,612	0%	26%	48%	26%
Farms by Geography	430	0%	3%	58%	39%
Family Distribution by Income Level	15,461	0%	17%	53%	30%
Household Distribution by Income Level	23,694	0%	19%	53%	28%
Weighted average of Median Family Income (MFI)	\$52,506	Median Housing Value 2013			\$83,498
Weighted average of HUD updated MFI: 2013	\$49,900	Households Below the Poverty Level			15%

Source: 2013 Geo-demographic Data; 2010 United States Census data

Community Contact

During evaluation process, we considered recent input from a local community leader within the bank’s AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact indicated a need within the AA for more affordable housing, re-development of some blighted areas of Enid, funding for infrastructure improvements, and lending programs tailored to small businesses. The contact stated that local financial institutions do make an effort in these areas.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank’s performance under the Lending Test is rated *Satisfactory*.

Loan-to-Deposit Ratio

SNB has a *reasonable* LTD ratio given the bank’s size, location, local competition, performance context, and the credit needs of the AA. Since the previous CRA PE, the bank’s quarterly average LTD ratio averaged 56 percent, compared to other similarly situated banks in the AA that averaged 71 percent during the same period. As of June 30, 2015, SNB’s LTD ratio was 61 percent. The following table presents a summary of the quarterly average LTD ratio for SNB, and each similarly situated bank in the AA:

Loan-To-Deposit (LTD) Ratios		
Institution	Average Assets as of March 31, 2015 (000's)	Average LTD Ratio
<i>The Security National Bank of Enid</i>	<i>\$350,478</i>	<i>56%</i>
Central National Bank & Trust Company of Enid	\$614,355	78%
The Bank of Kremlin	\$266,279	85%
First Bank and Trust Company	\$158,966	50%

Source: March 31, 2015 Consolidated Reports of Condition and Income; Uniform Bank Performance Report

Lending in Assessment Area

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

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	19	95	1	5	20	2,093	96	79	4	2,172
Small Business	18	90	2	10	20	1,191	59	839	41	2,030
Totals	37	93	3	7	40	3,284	78	918	22	4,202

Source: Loan Sample

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

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels, and businesses with different levels of gross annual revenue. The overall percentage of residential real estate loans to low-income borrowers is slightly less than the percentage of low-income families in the AA, however, in addition to the significant competition for loans inside the AA, bank management also attributes this to the general inability of the bank's applicants in that income category to meet the bank's credit standards, consistent with safe and sound operations. Please also note that 83 percent of the number of business loans originated inside the AA were to companies with gross annual revenues of \$1 million or less, compared to 68 percent of the dollar level of business loans. Three loans in the sample that are to businesses with gross annual revenues greater than \$1 million represent nearly 20 percent of the sample size by dollar amount, which somewhat distorts the comparison.

The following tables present a more specific identification of loan penetration patterns among borrowers inside the bank's AA.

Table 2 - 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
Residential Loans Purchase	19.18%	15.79%	18.68%	26.32%	19.49%	21.05%	42.65%	36.84%

Source: Loan Sample; 2010 United States Census data

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.60	4.94	23.46	100%
% of Bank Loans in AA by #	83.33%	16.67%	0%	100%
% of Bank Loans in AA by \$	68.05%	31.95%	0%	100%

Source: Loan Sample; Dunn and Bradstreet data

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in AA (000's)				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	16	88.89%	\$832	69.90%
\$100,001 - \$250,000	2	11.11%	\$359	30.10%
\$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

Source: Loan Sample.

Geographic Distribution of Loans

Lending patterns during the review period indicate a *reasonable dispersion* of residential real estate loans and business loans throughout the AA. There are no low-income CT, and only two moderate-income CT in the AA. Thus, a geographic distribution of loans analysis carries less significance in terms of performance than does an analysis of lending to borrowers of different incomes and to businesses with different levels of gross annual revenue.

Regarding the geographic distribution of residential real estate loans, a lower percentage of loans in the moderate-income CT (#1 and #7) is partially due to the lower demand for such credit since the neighborhoods where the applicants reside are older and well established, with a population composed of residents who have no mortgage obligation, and diminished interest in new debt.

Regarding the geographic distribution of business loans, our loan sample revealed a lower percentage of loans in the moderate-income CT, relative to the percentage of businesses in those tracts. The tracts are adjacent, near downtown, and composed of a combination of older, well-established neighborhoods, and well-established non-residential properties such as rail yards, grain elevators, city parks, and two large hospitals. There is currently not a significant level of industrial or commercial development, and many of these businesses do not need loans frequently, or their financing needs exceed the bank's lending limit.

The following tables present a more specific identification of geographic distribution patterns among census tracts inside the bank’s AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA (000's)								
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
Purchase	0%	0%	16.34%	5.26%	50.28%	73.68%	33.37%	21.05%

Source: Loan Sample; 2010 United States Census data

Table 3A - 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	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0%	0%	25.87%	11.11%	48.20%	55.56%	25.93%	33.33%

Source: Loan Sample; Dunn and Bradstreet data

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development (CD) Test is rated *Satisfactory*.

SNB demonstrates an *adequate responsiveness* to the CD needs of the AA with CD loans, qualified investments, and CD services, all considering the bank’s capacity and financial condition, and the need and availability of such opportunities inside the AA. There are limited opportunities for qualified CD loans and investments inside the AA, due to the primarily rural, low-density CT. The level of banking competition in the AA, including for CD opportunities, is significant.

SNB is very active in the communities they serve, and evidenced by their leadership roles in various civic and non-profit organizations that provide services to low- or moderate-income (LMI) individuals. The bank is also involved in, invests in, and lends to individuals or organizations whose focus is on affordable housing, community services, or economic development.

Number and Amount of Community Development Loans

The bank's level of qualified CD loans is satisfactory. During the evaluation period, the bank originated or renewed 32 CD loans totaling \$5.3 million. These include the following:

- Two loans totaling \$2.7 million to revitalize and stabilize an area within a low- or moderate-income geography, and create jobs for low- or moderate-income residents. Specifically, the bank extended a \$1.5 million loan to purchase a historic building in a moderate-income census tract, and a \$1.2 million loan to remodel the building. The building contains retail and office space and provides services and jobs for low- and moderate-income residents.
- Two loans totaling \$495 thousand to finance the purchase of two apartment buildings that provide affordable housing to low- and moderate-income families and individuals. Specifically, one loan for \$261 thousand provided 17 affordable housing units in a moderate-income census tract, and another loan for \$234 thousand provided 13 affordable housing units in an adjacent, moderate-income census tract.
- Sixteen loans totaling \$777 thousand for economic stabilization. Specifically, the bank originated or renewed 16 loans to the local government for equipment necessary to provide critical infrastructure, which will attract and retain businesses and residents.
- SNB financed twelve loans to eight small businesses that helped to open one new business, and to expand seven existing businesses. These loans promoted economic development by creating approximately 42 jobs for low- and moderate-income residents.

Number and Amount of Qualified Investments

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

Considering the needs and opportunities in the AA, and SNB's performance context and capacity, the bank's level of qualified CD investments is satisfactory. During the evaluation period, SNB made numerous qualified donations totaling approximately \$167 thousand. A majority of the donations were to local, non-profit organizations that provide services to low- and moderate-income families and individuals. Other donations were to local schools and to organizations that support economic and small business development.

Summarized below are examples of the bank’s more significant donations to qualifying CD organizations:

- ***United Way of Enid and Northwest Oklahoma***
SNB donated over \$28 thousand to support community services to low- and moderate-income families and individuals during the assessment period. The United Way of Enid and Northwest Oklahoma provides support to many agencies that provide services to low- and moderate-income individuals.
- ***Greater Enid Chamber of Commerce***
SNB donated over \$27 thousand to support economic development during the assessment period. The Greater Enid Chamber of Commerce supports small business and economic development within the bank’s AA.

Other organizations that received significant donations include the Enid Higher Education Council, the Enid Police Department, Main Street Enid, and the Enid Public School Foundation.

Extent to Which the Bank Provides CD Services Responsiveness to CD Needs

During the evaluation period, SNB demonstrated an *adequate responsiveness* to the CD service needs of the AA. Several bank officers serve in leadership positions in organizations that provide community services to low- and moderate-income families. They also provide technical and financial assistance to these organizations. Additionally, bank officers serve in leadership positions in organizations involved in economic development, and small business development activities. Examples of qualifying CD services include the following:

- ***Community Development Support Association (CDSA)***
Two bank officers serve on various committees and provide financial education and seminars for this organization. The primary mission of CDSA is to work with others to identify needs, secure resources, and deliver services that improve lives in the community. The CDSA provides down-payment assistance to low- and moderate-income families. They also provide early childhood education, work training and placement programs, and provide assistance for the cost of prescription medication for low-income individuals through RX Oklahoma.
- ***United Way of Enid and Northwest Oklahoma***
Bank officers serve on the Board of the organization. United Way member agencies provide a variety of services to low- and moderate-income individuals and families in Enid.
- ***James W. Strate Center for Business Development***
A bank officer serves on the Selection Committee of the organization, which offers an incubator program through Autry Technology Center for small businesses and start-ups.

Responses to Complaints

There have been no consumer complaints regarding the bank's performance under the CRA during the evaluation period. Additionally, 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