



SMALL BANK

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

PUBLIC DISCLOSURE

May 23, 2005

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.

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, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 25, 2005**. 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.*

Throughout this evaluation, The Security National Bank of Enid will be referred to as "SNB."

Institution's CRA Rating: This institution is rated satisfactory.

- SNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- SNB's loan to deposit (LTD) ratio is satisfactory. Since the June 1, 1999 evaluation, the bank's LTD ratio has averaged 63% and compares favorably to other institutions operating within the AA.
- SNB generates a majority of its loans within the defined assessment area.
- Management has demonstrated a commitment of originating loans to low-and moderate-income individuals (LMI) and small businesses.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

SNB is a \$165 million dollar community bank located in Enid, Oklahoma. SNB is 100% owned by Security Financial Services Corporation, a one-bank holding company. SNB operates from its main bank location at 201 W. Broadway and full service branches at 210 North Oakwood and 201 W. Main all in Enid, Oklahoma. The bank also operates two full service automated teller machines (ATM) and a two cash dispensing ATM's. ATM customers may also utilize any ATM on the Cirrus, SCS or other major networks. Hours of operation are responsive to the general banking needs of the areas served.

The bank's primary focus is to serve commercial and consumer customers in Enid and the surrounding areas. The bank meets these needs by providing various loan and deposit products as well as other financial services. The bank's lending strategy focuses on small business loans and residential real estate loans to meet the needs of the community.

The table below shows the composition of the bank's loan portfolio, which represents approximately 56% of total assets as of December 31, 2004. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	26,034	27.95%
Commercial Loans	18,716	20.09%
Residential Real Estate Loans	27,031	29.02%
Farm Production Loans	10,049	10.79%
Farm Real Estate Loans	3,658	3.93%
Consumer Loans	5,191	5.57%
Other Loans	2,471	2.65%
Total	93,150	100.00%

Bank lobby services are provided Monday through Friday and half day on Saturday. SNB faces strong competition from several other financial institutions in the assessment area. Based on its financial condition, the local economy, product offerings, competition, and prior performance, SNB has the ability to meet the various credit needs in its community. At our last CRA examination as of June 1, 1999, 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

SNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The assessment area includes eleven census tracts that comprise Garfield County. Effective January 1, 2004, the Office of Management and Budget established new boundaries for Metropolitan Statistical Areas and created Micropolitan Statistical Areas. SNB is now located in a Micropolitan Statistical Area and is no longer subject to filing reports under the Home Mortgage Disclosure Act. Enid is located approximately 80 miles northwest of Oklahoma City, Oklahoma. There are no low-income census tracts, one

moderate-income census tract, eight middle-income census tracts, and two upper-income census tracts. Enid is the county seat for Garfield County. The AA has a population of 57,813.

Enid is a regional economic center for north central Oklahoma. The local economy is stable, yet heavily dependent on the largest civilian employer, Vance Air Force Base (1,549). Other major employers include: Advance Food Company (1,247), DynCorp, Inc. (1,100), Enid Board of Education (905, Integris Bass Health Center (890), St. Mary’s Health Center (643), Star Tek, Inc. (569) and Northern Oklahoma Resource Center (467), and City of Enid (465). Enid’s unemployment rate as of March 2004 was listed at 2.9%.

The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	15,875
Number of Households	23,220
<i>Geographies</i>	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	9.9%
% Middle-Income Census Tracts/BNA	72.73%
% Upper-Income Census Tracts/BNA	18.18%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	41,451
2004 HUD-Adjusted MFI	41,300
<i>Economic Indicators</i>	
2000 Median Housing Value	58,214
# of Households Below Poverty Level	3,045

We contacted a local homebuilder who is actively involved in related community activities and organizations to gain a better understanding of the needs of the citizens residing within the assessment area. Although progress is being made, affordable housing continues to be an identifiable need, particularly in the East Enid area. Our contact stated that financial institutions could better utilize State and Federal Government sponsored programs to assist first time homebuyers. Periodic meetings with the general public to discuss the various programs and qualification requirements would provide an added benefit for the community. Overall, this individual stated that SNB is very active in the community and responsive to the credit needs in its assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

SNB's LTD is considered **satisfactory** given the bank's size, financial condition, and considering the credit needs of the AA. The bank's LTD ratio since the last examination has averaged 63%, which is reasonable, compared to peer banks LTD ratio of 82% for the same period. The bank's peer group consists of three other commercial banks headquartered in the AA, several branches of much larger institutions not headquartered in Enid, and two credit unions.

The reason for SNB's lower LTD ratio is mainly due to the composition of funding sources. SNB relies on traditional sources of demand deposits and other interest bearing funds. However, competitors utilize outside borrowing sources that causes the LTD to be higher than would otherwise be the case when compared solely against funding sources provided by the local customer base. Also, a significant portion of their real estate loans are underwritten and sold to the secondary market. Over the past three years, SNB has sold an average of \$11 million per year in real estate loans to outside investors. Adding back this dollar volume to the bank's existing loan portfolio brings its LTD ratio to around 70% at year-end 2004. Another contributing factor is SNB's practice of holding a higher percentage of public funds than its competitors.

Lending in the Assessment Area

The majority of SNB's loans are made within the assessment area. Our analysis determined that 83% of the number and 75% of the dollar amount of loans originated within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

SNB's lending patterns reflect **reasonable** distribution of loans among borrowers of different income levels and businesses of different sizes. We based our conclusions on a review of twenty auto loans, twenty 1-4 family residential real estate loans, and 20 commercial loans originated within the AA. As the charts below indicate, the bank is serving the needs of the entire AA, including low and moderate-income families and households. The majority of commercial loans were to small businesses with gross revenue of \$1 million or less.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	15.45%	30.00%	15.10%	10.00%	23.69%	15.00%	45.76%	45.00%

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

Table 2A - Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Consumer Loans	22.52%	55.00%	16.48%	25.00%	21.10%	10.00%	39.90%	10.00%

Source: loan sample and 2000 U.S. Census data.

Table 2B – Borrower Distribution of Loans to Businesses/Farms in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.97%	5.54%	26.49%	100%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100%
% of Bank Loans in AA by \$	47.04%	52.96%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution

As indicated by the following tables, SNB has a good record of lending throughout the AA. This is evidenced by the level of lending in the moderate-income tract relative to the number of households and families residing in that tract.

Table 3 - Geographic Distribution of Consumer Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Consumer Loans	0%	0%	9.28%	25.00%	63.00%	65.00%	27.72%	10.00%

Source: Indicate source and 2000 U.S. Census data.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	0%	0%	8.52%	15.00%	61.85%	40.00%	29.62%	45.00%

Source: Indicate source and 2000 U.S. Census data.

Table 3B - Geographic Distribution of Loans to Businesses/Farms in Assessment Area								
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
Business/farm Loans	0%	0%	8.98%	10.00%	69.63%	50.00%	21.39%	40.00%

Source: Loan sample and 2000 Census data.

Responses to Complaints

SNB has not received any complaints relevant to CRA during the evaluation period.

Compliance with Fair Lending Laws and Regulations

We found no evidence of illegal discrimination or other illegal credit practices during our review.