



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 20, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Security National Bank of Sioux City, Iowa  
Charter Number: 3124

605 Pierce Street  
Sioux City, IA 51102-0000

Office of the Comptroller of the Currency

ADC-SIOUX FALLS Field Office  
4900 South Minnesota Avenue Suite 300  
Sioux Falls, SD. 57108-2865

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- Security National Bank's (SNB) distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- SNB's loan-to-deposit ratio is reasonable.
- A majority of SNB's primary loan products are within the bank's assessment area.
- SNB's responsiveness to community development needs and opportunities in its assessment area is adequate in light of its capacity and area opportunities.

## **Scope of Examination**

SNB was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

SNB's primary loan products are commercial, agriculture, and consumer loans. To evaluate the bank's lending performance, we selected a sample of loans from each primary product. We evaluated loans originated between January 1, 2009 and December 31, 2010.

The following table shows the breakdown of loans originated and purchased since January 1, 2009.

Loan Portfolio Summary by Loan Product				
Loan Type	#	Origination Amount	# as % of total	\$ as % of total
<b>Agriculture</b>	829	\$ 296,801,347	22.84%	<b>45.68%</b>
<b>Consumer</b>	1,467	\$ 18,673,499	<b>40.42%</b>	2.87%
<b>Commercial</b>	403	\$ 213,418,578	11.10%	<b>32.85%</b>
Purchase	344	\$ 53,316,748	9.48%	8.21%
Refinance	438	\$ 64,670,805	12.07%	9.95%
Home Improvement	148	\$ 2,810,771	4.08%	0.43%
Totals:	3,629	\$ 649,691,748	100.00%	100.00%

The evaluation period for the CD test is from November 28, 2007 to December 31, 2010.

## Description of Institution

SNB is a \$709 million full-service financial institution located in the Sioux City, IA-NE-SD metropolitan statistical area (MSA). The bank is 100 percent owned by Security National Corporation, a \$1.1 billion, four-bank holding company headquartered in Dakota Dunes, SD. For purposes of this CRA evaluation, SNB is an intrastate bank with offices located only in Iowa. The bank has six locations including the main office, motor bank, and four branches. The bank also has 11 automated teller machines, 4 of which accept deposits, all located in Sioux City, Iowa.

All bank locations are positioned in Sioux City, with the exception of one branch in Akron, IA. The Akron branch was previously a stand alone affiliate charter prior to the merger with SNB on April 26, 2010. Due to the recent merger and the Community Reinvestment Act assessment of the Akron charter in 2009, we did not include that location's lending activities in the scope of this examination.

SNB offers traditional loan and deposit products. As of December 31, 2010 the bank's loan portfolio equaled 59 percent of total assets. The loan portfolio consisted of 42 percent commercial, 26 percent residential real estate, 25 percent agricultural, and 7 percent consumer loans based on outstanding dollars.

SNB has no legal or financial impediments that prevent it from fulfilling its obligations under the CRA. SNB was rated "Satisfactory" at the last CRA examination dated November 28, 2007.

## Description of Assessment Area(S)

The bank's AA consists of 30 contiguous census tracts in two states. The bank's AA consists of census tracts 0001 through 0021.02, 0031 through 0033, and 0035 in Woodbury County, IA and census tracts 0101 through 0104 in Dakota County, NE. The AA consists of one low-income, seven moderate-income, sixteen middle-income, and six upper-income census tracts. Due to the recent merger with its affiliate bank, the bank's AA will expand to include all of Plymouth County in Iowa and Union County in South Dakota to incorporate the activities of the Akron branch. Going forward, the bank will have two AAs, the Sioux City MSA and the Plymouth County AA.

The bank's current AAs meet the requirements of the regulations and does not arbitrarily exclude low- or moderate-income geographies. A map of the AA can be obtained from the bank's CRA Public File.

According to the 2000 U.S. Census, the total population of the MSA is 124,130. The Housing and Urban Development 2010 weighted average updated median family income is \$58,400 for metropolitan statistical areas in Iowa. The distribution of family incomes within the MSA is estimated at 18 percent low-income, 19 percent moderate-income, 25 percent middle-income, and 38 percent upper-income. The median housing value in the AA is \$75,332 and 65 percent of housing is owner-occupied.

The local economy has seen the effects of the nationwide economic downturn but remains in better condition than the majority of metropolitan areas in the country. Major employers include Tyson Fresh Meats, Mercy Medical Center, Saint Luke's Regional Medical Center, and the city and county government entities located in Woodbury and Dakota Counties. Sioux City's third largest employer, John Morrell & Company, closed operations in 2010, which affected approximately 1,400 local jobs. According to the U.S. Bureau of Labor Statistics, unemployment within in the MSA is 7.2 percent, up from 3.8 percent in December 2007. This exceeds the Iowa and Nebraska state averages of 6.3 percent and 4.4 percent, respectively, but is below the national unemployment rate of 9.4 percent.

We did not identify any unmet credit needs in SNB's AA. Examiners made two community contacts during this CRA examination. The contacts identified commercial and agriculture loans as the primary community needs and stated the local financial institutions are heavily involved with the community.

## Conclusions with Respect to Performance Tests

### LENDING TEST

SNB's performance under the lending test is satisfactory. The borrower distribution portion of the test received the majority of the weight. SNB was found to have reasonable penetration among borrowers of different income levels and businesses of different sizes. Due to a large volume of high dollar participations purchased from affiliate banks, the penetration to farms of different sizes was poor.

SNB's geographical distribution of loans was excellent but received less weight because the bank's AA did not contain many census tracts that are low- or moderate-income.

All criteria of the lending test are documented below:

**Loan-to-Deposit Ratio**

SNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA's credit needs. The bank's net loan-to-deposit ratio averaged 88 percent over the 12 quarters since the last CRA examination. This ratio ranged from a quarterly low of 79 percent to a quarterly high of 98 percent during the time period. It is also notable that SNB's average loan-to-deposit ratio does not reflect all home mortgage lending activity, as the bank sells mortgages in the secondary market.

The bank's net loan-to-deposit ratio compares favorably with other financial institutions of similar size, location, and product offerings. Twenty state banks and ten national banks serve the AA, with market deposits ranging from \$4 million to \$459 million. SNB ranks first among a total of seven similarly situated banks. The average net loan-to-deposit ratios for the other six banks over the same 12 quarters ranged from 89 percent to 103 percent

**Lending in Assessment Area**

A majority of SNB's primary loan products were made within the bank's AA. The following table details the bank's lending within the AA by number and dollar amount of loans. Fifty-eight percent of the loans originated in these primary loan products were made within the AA

<b>Lending in the Sioux City MSA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	4	20	16	80	20	367	6.05	5,700	93.95	6,067
Commercial	17	85	3	15	20	1,762	85	317	15	2,079
Consumer	14	70	6	30	20	255	71	106	29	361
Totals	35	58	25	42	60	2,384	28	6,123	72	89,390

Source: Sampled loan data from 2009 and 2010

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

The borrower distribution of loans in the Sioux City MSA is reasonable. The distribution of loans reflects an excellent penetration among individuals of different income levels and businesses of different sizes. The borrower distribution for farm loans was poor; refer to the comments below for further information.

*Business Loans*

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Eighty-five percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This is considered excellent compared to demographic data that shows 74 percent of the area’s businesses are considered small businesses. We also looked at the distribution of loans by dollar amount. We found that 82 percent of the business loan volume in our sample was loans originated to businesses with annual revenues under \$1 million. The following table shows the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in the Sioux City MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.84%	5.07%	21.09%	100%
% of Bank Loans in AA by #	85%	15%	0	100%
% of Bank Loans in AA by \$	82%	18%	0	100%

Source: Business loans sampled from 2009 and 2010 and 2010 U.S. Census Business Demographic Data

*Consumer Loans*

Distribution of consumer loans to households (HH) of low- and moderate-income levels is excellent as the bank’s penetration to low and moderate-income HHs exceeds community demographics.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AAs.

<b>Borrower Distribution of Consumer Loans</b>			
Borrower Income Level	Sioux City MSA		
	% of	% of Dollar	% of Households
	Number	Volume	
<b>Low</b>	<b>25%</b>	<b>12%</b>	<b>0.02%</b>
<b>Moderate</b>	<b>40%</b>	<b>42%</b>	<b>19.96%</b>
Middle	25%	20%	56.09%
Upper	10%	26%	23.93%
Total	100%	100%	100%

Source: Consumer loan data sampled from 2009 and 2010 and 2010 U.S. Census Demographic Data

### Farm Loans

Distribution of loans to small farms is poor. The bank's penetration to small farms by both number and dollar volume is poor and does not reflect the community demographics; however, a majority of the bank's farm loans are large participations purchased from rural affiliate banks due to lending limit regulations. Therefore, many of these large loans were to high revenue borrowers.

The following table shows the distribution of farm loans among different sized farms in the AA.

<b>Borrower Distribution of Loans to Farms</b>			
Gross Annual Revenue	Sioux City MSA		
	% of Number	% of Amount	Farm Data
<b>&lt;= \$1 million</b>	<b>37%</b>	<b>9%</b>	<b>98%</b>
>= \$1 million	27%	61%	1%
Revenue unavailable	36%	30%	1%
Total	100%	100%	100%

Source: Farm loan data sampled from 2009 and 2010 and 2010 U.S. Census Farm Demographic Data

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects a reasonable dispersion throughout census tracts of different income levels. There were no conspicuous gaps identified

within the AA. More weight was placed on the bank’s commercial loans and consumer loans due to a very limited number of farms located in low-and moderate-income census tracts.

*Business Loans*

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. The bank exceeded demographic comparators for low- and moderate-income census tracts. While only 28 percent of the businesses in the AA are located within low- and moderate-income census tracts, the bank originated 40 percent of its business loans to businesses located in low- and moderate- income tracts.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Commercial Loans in Sioux City MSA								
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
Business	2.44%	5%	25.63%	35%	46.70%	25%	25.22%	35%

Source: Business loan data sampled from 2009 and 2010 and 2010 U.S. Census Business Demographic Data

*Consumer Loans*

The geographic distribution of consumer loans reflects reasonable dispersion throughout the census tracts of different income levels. While 20 percent of HHs are in low- and moderate-income level census tracts and the bank originated only 5 percent by number and 9 percent by dollar volume loans in these tracts, the overall volume of the HHs in these tracts is low. Therefore, the bank’s dispersion is considered reasonable.

The following table shows the distribution of consumer loan products among census tracts of different income levels.



<b>Geographic Distribution of Consumer Loans in Sioux City MSA</b>			
Tract Income Level	Sioux City MSA		
	% of Number	% of Dollar Volume	% of Households
<b>Low</b>	<b>0%</b>	<b>0%</b>	<b>0.02%</b>
<b>Moderate</b>	<b>5%</b>	<b>8.76%</b>	<b>19.96%</b>
Middle	45%	43.93%	56.09%
Upper	50%	47.31%	23.93%
Total	100%	100%	100%

Source: Consumer loan data sampled from 2009 and 2010 and 2010 U.S. Census Demographic Data

### Farm Loans

Geographic distribution of farm loans is reasonable. While the bank originated 100 percent of its loans to farms located in moderate-income census tracts, 96 percent of farms within the AA are located in middle or upper-income census tracts. In addition, due to a low in/out ratio for farm loans our sample of loans within the AA consisted of only 11 loans (out of 60 farm loans sampled).

The following table details the bank’s performance as compared to the percentage of farms in each census tract income level.

<b>Geographic Distribution of Farm Loans in Sioux City MSA</b>			
Tract Income Level	% of Number	% of Amount	% of Farms
<b>Low</b>	<b>0%</b>	<b>0%</b>	<b>0.14%</b>
<b>Moderate</b>	<b>0%</b>	<b>0%</b>	<b>3.73%</b>
Middle	100%	100%	81.62%
Upper	0%	0%	14.51%
Total	100%	100%	100%

Source: Farm loan data sampled from 2009 and 2010 and U.S. Census Farm Demographic Data

### Responses to Complaints

SNB has not received any CRA complaints during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test is rated Satisfactory. During the evaluation

period, SNB provided nearly \$7 million in CD loans and CRA qualified contributions to help meet the CD needs of its AA. In addition, the bank provided a satisfactory level of CD services. SNB's CD activities demonstrate adequate responsiveness to the needs and opportunities in the AA, considering its performance context and the needs and opportunities within the AA.

### **Number and Amount of Community Development Loans**

SNB provided an adequate level of CD lending. During the evaluation period, the bank originated loans to seven businesses or organizations whose primary purpose is to provide qualified CD services in the AA. These loans totaled \$6.9 million, or 11 percent of tier one capital. The majority of the funds were for the purpose of community development, such as assisting adults with disadvantageous conditions find employment and providing help to individuals suffering from addictions and their families. Other CD loans were for economic development in the AA, such as the expansion of a business in a moderate-income tract that will add ten low-income jobs.

### **Number and Amount of Qualified Investments**

SNB provided an adequate level of qualified CD investments and donations in the AA. The bank provided \$57 thousand in qualified donations to 12 organizations that provide community services to low- and moderate-income individuals in the AA. This includes organizations dedicated to emergency shelter, food pantries, education, clothing, family services, and mentoring for low- and moderate-income individuals. There were no CD investments made during the evaluation period.

### **Extent to Which the Bank Provides Community Development Services**

SNB provided an adequate level of CD services. The bank's main office, one branch, and two of its automated teller machines are located in a moderate-income census tract. This reflects positively on the bank's CD test, especially given the relatively low number of low- and moderate-income census tracts in the area. In addition, five bank personnel provided qualified services in the form of financial expertise to CD organizations serving the AA during the evaluation period. Organizations assisted are involved in a variety of CD activities, including providing credit assistance to small businesses and providing affordable homes to low-income families.

### **Fair Lending or Other Illegal Credit Practices Review**

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