



PUBLIC DISCLOSURE

January 01, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security National Bank of Omaha
Charter Number 15379

1120 S. 101st Street
Omaha, NE 68124

Office of the Comptroller of the Currency
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, NE 68154-5298

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: Outstanding.

Security National Bank (SNB) satisfactorily meets the needs of its assessment area (AA).

- The loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AA.
- A majority of the bank's loans are originated within its AA.
- The bank's distribution of loans among borrowers of different income levels and businesses of different sizes is reasonable.
- The geographic distribution of loans to borrowers of different income levels exceeds the demographics of the AA.
- SNB's responsiveness to the community development (CD) needs in the AA is excellent.

Scope of Examination

SNB was evaluated under the intermediate small bank examination procedures, which includes a lending test and a CD test. We conducted a full scope review of SNB's AA. This review considers performance context, quantitative, and qualitative factors.

The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test covers the bank's performance from January 1, 2013 to September 30, 2015, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination. Due to the timing of the examination, loan reports were not finalized for the fourth quarter of 2015.

SNB's primary loan product is business loans. To evaluate SNB's business lending performance we used the bank's loan reports. As part of our ongoing supervision of the bank, we tested the accuracy of the bank's lending data. Our testing indicated no substantive inaccuracies in the data. However, due to SNB's size, the business lending data does not include all the required fields for CRA analysis. We selected a random sample of 20 business loans originated between January 1, 2013 and September 30, 2015 for the lending test analysis.

The CD test evaluates the bank's record of responding to the CD needs of its AA through CD lending and providing qualified investments, donations, and services. The CD test for the bank covers its performance from January 1, 2013 to December 31, 2015. This period is representative of the bank's activities since the previous CRA examination. Testing included reviewing loan files and documentation provided by the bank.

Description of Institution

SNB is a full-service financial institution located in Omaha, Nebraska. In addition to the main office, SNB operates 11 branches and 42 automated teller machines (ATMs) in the AA. SNB also operates a loan production office and a non-deposit taking ATM in Council Bluffs, Iowa.

SNB is owned by Security National Corporation (SNC). SNC is a one-bank holding company headquartered in Omaha, Nebraska. There have not been any significant changes to SNB's corporate structure, including merger or acquisition activities, since the previous CRA examination.

SNB offers a full range of credit products within its AA including commercial, residential real estate, consumer, and agricultural loan products. SNB offers a full range of deposit products to businesses and individuals, including alternative retail services, such as direct deposit and access to electronic banking services (bill payment, mobile banking, and electronic statements). SNB's business strategy is community banking, specializing in business lending. As of September 30, 2015, SNB reported total assets of \$797 million and total loans of \$483 million, resulting in a total loan to total assets ratio of 60.60 percent. The loan portfolio, as a percentage of average loans, is comprised of mainly business loans at 71.07%, followed by 1-4 family residential loans at 12.81%, consumer loans at 5.36%, agricultural loans at 0.53% and other loans at 10.23%.

The following table summarizes the percentage of each loan type originated from January 1, 2013 to September 30, 2015.

Loan Originations by Loan Type				
Loan Category	\$(000)	%	#	%
Commercial	\$716,381	78.16	1578	51.05
Consumer	\$103,568	11.30	886	28.67
Residential	\$92,024	10.04	617	19.96
Agricultural	\$4,548	0.50	10	0.32
Total	\$916,521	100%	3,091	100%

Source: Bank records from January 1, 2013 to September 30, 2015

There are no legal or financial impediments to SNB's ability to meet the credit needs of its AA. SNB was rated "Satisfactory" at its last CRA examination dated January 14, 2013.

Description of Assessment Area

SNB's AA includes all of Douglas and Sarpy Counties in Nebraska. These counties are within the Omaha-Council Bluffs NE-IA Multistate Metropolitan Area (MSMA). The MSMA consists of eight counties. SNB selected Douglas and Sarpy Counties because of the proximity to SNB branch locations. The remaining counties within the MSMA were not included, as SNB can only reasonably serve areas in proximity to existing branch locations. Several other financial institutions serve the remaining areas of the MSMA. According to the 2010 U.S. Census, the AA is populated with 676 thousand people and includes 199 census tracts. Based on the 2015 FFIEC Updated Median Family Income of \$73 thousand, 28 census tracts are classified low income, 40 moderate income, 71 middle income, 59 upper income, and one unclassified. The majority of the low- and moderate-income tracts are located in the eastern portion of the city of Omaha. SNB's office locations are reasonably dispersed throughout the AA and within various income geographies. The AA does not arbitrarily exclude any low- or moderate-income geographies.

The local economy is stable and diverse. The economy is comprised of trade, transportation, utilities, education, and health services sectors. No sector has more than one-fourth of the total workforce. As of the evaluation period, Omaha is home to five Fortune 500 companies (Berkshire Hathaway, Union Pacific, ConAgra, Peter Kiewit & Sons, and Mutual of Omaha Insurance). According to Moody's Analytics, the largest employers of the area include Offutt Air Force Base, CHI Health, Nebraska Medical Center, The Methodist Health System, First Data Corporation, University of Nebraska Medical Center, First National Bank of Omaha, Wal-Mart, and Creighton University. Unemployment is low at 2.70 percent.

Competition from other financial institutions in the AA is strong. FDIC market share information as of September 30, 2015 indicates there were 37 deposit-taking financial institutions with 229 offices in the AA. Eighty percent of the market share is concentrated in six institutions, all are significantly larger than SNB in asset size. SNB ranked ninth in market share with 3.12 percent, or \$626 million, of the deposits in the AA. Primary competitors include branches of large banks, large regional banks, and several local community banks.

We conducted two community contacts in the AA over the past 12 months. The contacts indicated the local economy is good and continues to strengthen. Housing prices are increasing and new business growth is steady. The contacts expressed the need for small business lending due to tightened credit standards during the economic downturn making it harder for small businesses to qualify for loans, particularly those who have poor credit history. In addition, there is a need for affordable housing, community development in low- or moderate-income areas, and community services in the form of financial literacy. SNB offers and originates these types of services and loans. The contacts also stated that local financial institutions are very involved in the community and support economic development, affordable housing, and community services.

Conclusions with Respect to Performance Tests

LENDING TEST

SNB's performance with regard to the lending test is satisfactory.

Loan-to-Deposit Ratio

SNB's lending level is reasonable and meets the criteria for satisfactory performance given its size, financial condition, and credit needs in the AA. SNB's average loan-to-deposit ratio over the last twelve quarters was 70.95 percent. The average loan-to-deposit ratio of the other similarly situated institutions operating in Douglas and Sarpy County was 88.41 percent, with a range of 70.24 percent to 109.34 percent. However, several of these institutions benefit from larger footprints and loan demand outside of the AA.

Lending in Assessment Area

SNB's record of lending within the AA is outstanding as a substantial majority of the loans in our sample were originated inside the AA. SNB originated 95.00 percent by number and 94.11 percent by dollar volume of its primary loan product within the AA.

The following table details SNB's lending within the AA by number and dollar amount of loans.

Lending in Douglas and Sarpy County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	19	95.00	1	5.00	20	\$2,974	94.11	\$186	5.89	\$3,160

Source: Loan sample

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

SNB's lending activity to businesses of different sizes is reasonable and meets the standards for satisfactory performance. The volume of lending by number of loans approximates the percentage of AA businesses with revenues under \$1 million. According to bank reports, during the evaluation period the bank originated 744 loans to businesses with revenues less than \$1 million, which equates to approximately 47.15 percent of the bank's business lending. The significant number of businesses with unavailable or unknown income from the 2010 U.S. Census data does not allow us to make a reasonable comparison between loans made to businesses with revenues over \$1 million.

The following table shows the distribution of loans to businesses of different sizes compared to AA demographics.

Borrower Distribution of Loans to Businesses in Douglas and Sarpy County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.07	6.55	17.38	100%
% of Bank Loans in AA by #	73.69	21.05	5.26	100%
% of Bank Loans in AA by \$	75.48	24.38	0.14	100%

Source: Loan sample; Dun and Bradstreet data

Geographic Distribution of Loans

The bank’s record of lending to businesses in different geographies within the AA is excellent. The bank’s percentage of loans originated in low- and moderate-income census tracts significantly exceeds the demographic data. SNB shows good loan penetration throughout all census tract income levels.

The following table shows the distribution of business loans among census tracts of different income levels as compared to the percent of businesses in each category.

Geographic Distribution of Loans to Businesses Douglas and Sarpy County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	7.08	10	17.13	30	40.01	25	35.23	35

Source: Loan sample; U.S. Census data

Note: “% of AA Businesses” figures are less than 100% due to one unassigned census tract in the AA that is not reflected in the table.

Responses to Complaints

SNB has not received any CRA-related complaints since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

SNB’s performance with regard to the CD test is outstanding.

Number and Amount of Community Development Loans

SNB’s responsiveness to CD lending in the AA is excellent. SNB originated 14 loans totaling \$2 million to borrowers that promote affordable housing targeted to low- and moderate-income individuals during the evaluation period. SNB originated six loans totaling \$11 million to organizations that provide services targeted to low- or moderate-income individuals. SNB also originated six loans totaling \$8 million to revitalize or stabilize low- or moderate-income geographies during the evaluation period. However,

four loans totaling \$5 million received less weight as the businesses using the proceeds do not offer services or affordable housing targeted to low- or moderate-income individuals even though they did revitalize geographies in accordance with the city of Omaha's revitalization plan.

Number and Amount of Qualified Investments

SNB's responsiveness to provide qualified investments in the AA is satisfactory. SNB contributed \$250 to one organization that promotes affordable housing and \$388 thousand to 54 organizations that provide community services targeted to low- and moderate-income individuals during the evaluation period. SNB also contributed \$32 thousand to one organization that promotes economic development and \$500 to one organization that revitalized or stabilized low- or moderate-income geographies during the evaluation period.

SNB provided in-kind contributions by providing meeting space at no cost during the evaluation period. These contributions totaled \$15 thousand to 16 organizations that provide community services targeted to low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

SNB's responsiveness to provide qualified services in the AA is excellent. SNB's employees provided 1,138 hours of financial expertise during the evaluation period. Employees contributed 64 hours to two organizations that promote affordable housing and 1,000 hours to ten organizations that provide community services targeted to low- and moderate-income individuals during the evaluation period. Employees also contributed 53 hours to one organization that promotes economic development and 20 hours to one organization that revitalized or stabilized low- or moderate-income geographies during the evaluation period.

Responsiveness to Community Development Needs

SNB demonstrated excellent responsiveness to the CD needs of the AA through CD lending, qualified investments, and services. This meets the standard for outstanding performance. SNB's activities provided affordable housing, benefited low- and moderate-income individuals, promoted economic development, and revitalized or stabilized low- and moderate-income geographies during the evaluation period. SNB's branches and ATMs are located within reasonable proximity to low- and moderate-income areas. SNB invested funds in a new branch and operations center located in a low-income geography. The new building is on the site of an older bank building, which was torn down. The new building includes a community center available to individuals and businesses in the area.

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.