



# 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 14, 2013

## 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.**

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.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AA.

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

SNB adequately responds to the community development (CD) needs of the AA through CD lending, qualified investments, and services.

- SNB provided 18 loans totaling \$17 million, \$185 thousand in donations, and 1,612 service hours to community organizations that promote affordable housing. SNB also provided services targeted to low- and moderate-income individuals, promoted economic development, and revitalized or stabilized low-and moderate-income geographies during the evaluation period.

## **Scope of Examination**

SNB was evaluated under the intermediate small bank examination procedures, which include a lending test and a CD test. 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, 2010 to December 31, 2011, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

SNB's primary loan product is business loans. To evaluate SNB's business lending performance we used the bank's Small Business Loan reports. Our sampling found these reports were reliable as no significant errors in the data were identified. We

selected a random sample of 20 business loans originated between January 1, 2010 and December 31, 2011.

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, 2010 to December 31, 2012. The 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 13 branches and 45 automated teller machines (ATMs) in Omaha. 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 deposit and loan products and services to its customers. SNB’s business strategy is community banking, specializing in business lending. As of September 30, 2012, SNB reported total assets of \$738 million and net loans of \$407 million, resulting in a net loans to total assets ratio of 55 percent.

The following table summarizes the percentage of each loan type originated from January 1, 2010 to December 31, 2011.

Loan Originations by Loan Type				
Loan Category	\$(000)	%	#	%
Commercial	\$224,627	77	1843	65
Residential	\$44,286	15	453	16
Consumer	\$17,781	6	546	19
Agricultural	\$4,639	2	4	0
Total	\$291,333	100%	2,846	100%

Source: Bank records from January 1, 2010 to December 31, 2011

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 February 17, 2010.

## Description of Assessment Area

SNB's AA includes all of Douglas and Sarpy Counties in Nebraska. These counties are within the Omaha – Council Bluffs Metropolitan Statistical Area (Omaha MSA). The Omaha MSA consists of eight counties. SNB selected Douglas and Sarpy Counties because of the proximity to SNB branch locations. The remaining counties within the MSA 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 Omaha MSA. The AA includes seven low-income census tracts, 46 moderate-income tracts, 77 middle-income tracts, and 50 upper-income tracts as outlined in the 2000 U.S. Census data. The majority of the low- and moderate-income tracts are located in the eastern portion of the city of Omaha. The bank did 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. Omaha is home to five Fortune 500 companies (Berkshire Hathaway, Union Pacific, ConAgra, Peter Kiewit & Sons, and Mutual of Omaha Insurance). The largest employers of the area include Alegent Health, Offutt Air Force Base, Omaha Public Schools, The Nebraska Medical Center, Methodist Health System, First Data, Union Pacific, University of Nebraska Medical Center, West Corp, and First National Bank of Omaha. Unemployment is low at 2.62 percent.

Competition from other financial institutions in the AA is strong. FDIC market share information as of June 30, 2012 indicates there were 37 deposit-taking financial institutions in the AA. Eighty percent of the market share is concentrated in six institutions. SNB ranked ninth in market share with three percent, or \$616.8 million, of the deposits in the AA. Primary competitors include branches of large banks, large regional banks, and several local community banks.

We conducted three 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 stable to increasing and new business growth is slow. The contacts indicated credit opportunities in the AA include mortgage lending and small business loans. SNB offers and originates these types of 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.

#### LTD 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 thirteen quarters was 76.99 percent. The average loan-to-deposit ratio of the other similarly situated institutions operating in Douglas and Sarpy County was 85.21 percent, with a range of 69.75 percent to 105.75 percent.

#### Lending in AA

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 90.0 percent by number and 95.5 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 (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90.0	2	10.0	20	3,184	95.5	149	4.5	3,333

*Source: Origination information maintained by bank.*

#### 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. In the last two years, the bank has originated 614 loans to businesses with revenues less than \$1 million, which equates to approximately half of the bank’s business lending. The significant number of businesses with unavailable or unknown income from the 2000 U.S. Census data does not allow us to make a reasonable comparison between loans made to businesses with revenues over \$1MM.

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

<b>Borrower Distribution of Loans to Business in Douglas and Sarpy County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	66.4	3.8	29.8	100
% of Bank Loans in AA by #	40.0	55.0	5.0	100
% of Bank Loans in AA by \$	45.0	54.7	0.3	100

Source: 2000 U.S. Census 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 CTs of different income levels as compared to the percent of businesses in each category.

<b>Geographic Distribution of Loans to Businesses in Douglas and Sarpy County</b>								
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	1.9	15.0	16.4	30.0	43.6	35.0	38.1	20.0

Source: 2000 U.S. Census data

### Responses to Complaints

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

## **COMMUNITY DEVELOPMENT TEST**

SNB adequately assessed the needs of its community and responded with CD loans, qualified investments, and services. This meets the standard for satisfactory performance.

### **Number and Amount of CD Loans**

SNB's responsiveness to CD lending in the AA is satisfactory. SNB originated eight loans totaling \$933 thousand to borrowers that promote affordable housing targeted to low- and moderate-income individuals during the evaluation period. SNB also originated ten loans totaling \$15.6 million for revitalization and economic development during the evaluation period.

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

SNB's responsiveness to provide qualified investments in the AA is satisfactory. SNB contributed \$47 thousand to seven organizations that promote affordable housing and \$97 thousand to 47 organizations that provide community services targeted to low- and moderate-income individuals during the evaluation period. SNB also contributed \$41 thousand to four organizations that revitalize and stabilize the community during the evaluation period.

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

SNB's responsiveness to provide qualified services in the AA is satisfactory. SNB and its employees provided 1,612 hours of financial expertise during the evaluation period. SNB contributed 168 hours to two organizations that promote affordable housing and 1,330 hours to 14 organizations that provide community services targeted to low- and moderate-income individuals during the evaluation period. SNB also contributed 114 hours to three organizations that revitalize and stabilize the community during the evaluation period.

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

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

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