



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 16, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security National Bank
Charter Number 13182

202 E. 2nd Street
P.O. Box 278
Laurel, NE 68745

Office of the Comptroller of the Currency

Sioux Falls Field Office
4900 S. Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

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 IS CRA RATING: This institution is rated Outstanding.

The Security National Bank (SNB) does an excellent job of meeting the credit needs of its assessment area. The bank's primary lending activities are to agricultural, commercial and consumer borrowers.

- SNB's lending level is excellent, given the institution's size, financial condition, and the assessment area's credit needs.
- A significant majority of the bank's loans are within the assessment area.
- Lending to borrowers of different income levels and farms of different sizes is reasonable.
- SNB's level of community development activities is excellent.

SCOPE OF EXAMINATION

This CRA examination included commercial, agricultural and consumer loans originated or purchased from January 1, 2008 through January 31, 2010. At management's request, we also considered community development loans, investments, and services from January 31, 2003 through January 31, 2010.

DESCRIPTION OF INSTITUTION

SNB is a \$135 million bank headquartered in Cedar County in northeastern Nebraska. The bank is 100% owned by First Laurel Security Corporation, a \$95 million, one-bank holding company located in Laurel, Nebraska. SNB's main office is located in Laurel, Nebraska. The bank also operates four full-service branches in Allen, Hartington, Osmond and Coleridge, Nebraska. The bank does not have any deposit-taking automated teller machines. The bank acquired Coleridge National Bank in July 2005, which added the Coleridge branch; however, it did not affect the bank's assessment areas. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

Net loans represent 69 percent of total assets at December 31, 2009. By dollar volume, the loan portfolio is comprised of agriculture loans (58 percent), commercial loans (27 percent), residential real estate loans (9 percent) and consumer loans (6 percent). The bank's primary credit products are agricultural, commercial and consumer loans based on the number and dollar amount of originations.

SNB's business focus is community banking. It offers a wide array of products and services to commercial and agricultural customers as well as to individual consumers.

SNB has no legal or financial impediments that prevent it from fulfilling its obligation under the CRA. SNB was rated “Outstanding” at the last CRA examination dated January 31, 2003.

DESCRIPTION OF ASSESSMENT AREA(S)

SNB has two assessment areas, both of which are in Nebraska. The Cedar/Pierce assessment area is comprised of Cedar and Pierce Counties and includes the bank’s branches in Laurel, Hartington, Coleridge and Osmond. The Dixon assessment area is comprised of Dixon County and includes the Allen branch. The total population of the combined assessment areas is 23,811. The assessment areas were analyzed separately as the Dixon County assessment area is located in a Metropolitan Statistical Area (MSA).

The 2000 U.S. Census and 2009 Department of Housing and Urban Development (HUD) estimated median family incomes (MFI) for the non-metropolitan areas of Nebraska are \$41,596 and \$53,700, respectively. The 2000 U.S. Census and 2009 HUD estimated MFI for the Dixon County MSA are \$46,397 and \$58,800, respectively. The following table summarizes the income levels of census tracts and families located within the bank’s two assessment areas:

INCOME DISTRIBUTION OF CENSUS TRACTS AND FAMILIES												
Assessment Area	Census Tracts (# and %)								Percentage of Families			
	Low		Moderate		Middle		Upper		Low	Moderate	Middle	Upper
Non-MSA	0	0%	0	0%	4	100%	0	0%	17%	22%	28%	33%
Dixon MSA	0	0%	0	0%	3	100%	0	0%	20%	23%	29%	28%
Total	0	0%	0	0%	7	100%	0	0%	37%	45%	57%	61%

Source: 2000 U.S. Census

The assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Economic conditions in the assessment areas are good. Major industries in the state of Nebraska include farming and ranching, education and health services and government jobs. As of December 2009 the unemployment rate for the state of Nebraska (4.5 percent) and the national rate (10 percent) exceeded that of all counties in the assessment areas. For comparison, the unemployment rate in Cedar and Pierce counties is 3.6 percent and the unemployment rate for Dixon county is 3.9 percent.

Competition from other financial institutions is strong. Including SNB, there are 10 financial institutions serving the bank’s non-MSA assessment areas and 3 serving the MSA assessment area. SNB has a reasonable market share at 28 percent of deposit market share in the non-MSA assessment area and 18 percent of deposit market share in the Dixon county MSA assessment area.

We did not identify any unmet credit needs in SNB’s assessment areas. A community contact from a local economic development group stated that credit needs are typical of those in most small cities and rural communities and include small business, agriculture and affordable housing lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SNB’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition and assessment area credit needs. The bank’s quarterly net loan-to-deposit ratio averaged 87.54 percent over 20 quarters from December 31, 2004 to September 30, 2009.

The bank’s net loan-to-deposit ratio compares with other community banks of similar size (total assets \$30 million to \$450 million) in the assessment areas. SNB ranks fourth among a total of six similarly situated banks serving the assessment areas. The other five banks had quarterly average net loan-to-deposit ratios averaging 82.20 percent, ranging from 61.08 percent to 97.93 percent over the same time period.

Lending in Assessment Area

SNB originates a majority of its loans to borrowers located within its defined assessment areas. Loans from primary products were sampled from both the non-MSA and Dixon County MSA assessment areas.

SNB originated a majority of its loans to borrowers located in the non-MSA assessment area. Primary products for the non-MSA assessment area were agriculture, commercial and consumer loans. We reviewed 20 agriculture, 20 commercial and 20 consumer loans originated during the evaluation period. Approximately 83 percent by number and 79 percent by dollar volume of loans were made to businesses, farms and individuals located within the bank’s non-MSA assessment area.

NON-MSA ASSESSMENT AREA								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Agricultural	16	80%	1,664	70%	4	20%	700	30%
Commercial	18	90%	2,511	86%	2	10%	418	14%
Consumer	16	80%	110	77%	4	20%	33	23%
Total	50	83%	4,285	79%	10	17%	1,151	21%

Source: Loan sampling

SNB bank originated a substantial majority of its loans to borrowers located in the Dixon county MSA assessment area. Primary products for the Dixon county MSA assessment area were

agriculture and consumer loans. We reviewed 20 agriculture and 20 consumer loans originated during the evaluation period. 100 percent by number and 100 percent by dollar volume of loans were made to farms and individuals located within the bank's Dixon county MSA assessment area.

DIXON COUNTY MSA ASSESSMENT AREA								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Agriculture	20	100%	569	100%	0	0%	0	0%
Consumer	20	100%	129	100%	0	0%	0	0%
Total	40	100%	698	100%	0	0%	0	0%

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

Overall borrower distribution is reasonable for loans to small businesses, loans to small farms and loans to consumers.

Distribution of loans to businesses of various revenue sizes is reasonable. The bank's lending by number of loans to small businesses in the non-MSA assessment area is in line with the business demographic data. Commercial loans were not a primary product in the MSA assessment area.

BORROWER DISTRIBUTION OF COMMERCIAL LOANS			
Gross Annual Revenue	Non-MSA Assessment Area		
	% of Number	% of Amount	% of Businesses
<= \$1 million	80%	63%	75%
>\$1 million	20%	37%	4%
Revenue Unavailable	0%	0%	21%
Total	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Distribution of loans to farms of various revenue sizes is reasonable. The bank's lending by both number and dollar volume of loans is excellent in the MSA assessment area and reasonable in the non-MSA assessment area.

BORROWER DISTRIBUTION OF LOANS TO SMALL FARMS						
Gross Annual Revenue	Non-MSA Assessment Area			Dixon County MSA		
	% of Number	% of Amount	Farm Data	% of Number	% of Amount	Farm Data
<= \$1 million	85%	93%	99%	100%	100%	98%
>\$1 million	15%	7%	1%	0%	0%	1%
Revenue Unavailable	0%	0%	0%	0%	0%	1%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Distribution of consumer loans to individuals of various revenue sizes is excellent. The bank's lending by both number and dollar volume of loans reflects an excellent level of lending to LMI families. The level of consumer loans to LMI families in the non-MSA assessment area was excellent. The level of consumer loans to LMI families in the Dixon county MSA was reasonable.

BORROWER DISTRIBUTION OF LOANS TO CONSUMERS						
Borrower Income Level	Non-MSA Assessment Area			Dixon County MSA		
	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	35%	16%	18%	25%	29%	24%
Moderate	35%	37%	22%	15%	7%	24%
Middle	25%	35%	31%	50%	48%	35%
Upper	5%	12%	29%	10%	16%	16%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Geographic Distribution of Loans

All seven census tracts within the assessment areas are middle-income tracts. Therefore, analysis of geographic distribution is not meaningful.

QUALIFIED INVESTMENTS AND CD SERVICES

Community Development Activities are not a required part of SNB's CRA examination. However management provided us with various community development activities for consideration.

SNB's level of community development lending is excellent. Since the last CRA examination

the bank has made over \$11.6MM, or 83 percent of Tier 1 capital, in qualifying loans, including three loans for LMI housing, two loans for economic revitalization and numerous home loans to LMI individuals under the USDA Guaranteed Rural Housing Program.

SNB has made numerous investments in under-served and distressed communities. SNB has invested nearly \$2.2 million in these communities through general obligation bond purchases.

SNB provides a good level of community development services, sometimes in a leadership role. A branch president is a board member for a LMI housing program. SNB also participates in a program that offers down payments assistance to LMI individuals via grants.

RESPONSES TO COMPLAINTS

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

FAIR LENDING AND OTHER ILLEGAL PRACTICES REVIEW

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