



PUBLIC DISCLOSURE

December 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security National Bank of South Dakota
Charter Number 23226

325 Dakota Dunes Boulevard
Dakota Dunes, SD 57049

Office of the Comptroller of the Currency

4900 South 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, and should not 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.

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Overall CRA Rating

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

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on performance in the State of South Dakota. The bank's assessment area (AA) includes the Sioux City Metropolitan Statistical Area (MSA), which is located in the Sioux City IA-NE-SD Multi-State MSA (MMSA). However, because the bank's operations are limited to a portion of Union County in South Dakota, their performance in this AA was incorporated into the State of South Dakota rating.
- The distribution of loans to consumers of different income levels (including low- and moderate-income individuals (LMI)) and businesses of different sizes reflects poor distribution of AA demographics.
- The distribution of loans across geographies of different income levels reflects reasonable distribution of AA demographics.

In addition to the activities considered at the AA level, we considered the following activities at the bank-wide level.

- Security National Bank of South Dakota (SNB SD or bank) uses flexible lending practices in a safe and sound manner to help meet the credit needs of small businesses and LMI individuals. The bank offers Small Business Administration loans and participates in the South Dakota Housing and Federal Home Loan Bank Homestart programs designed to assist LMI borrowers by offering Mortgage Credit Certificates (tax credits), down payment assistance, and subsidized interest rates.
- SNB SD offers several retail banking products and services that are available to all customers, including individuals. They include certificates of deposit, individual retirement accounts, and free checking and savings accounts that have no minimum balance requirements or account maintenance fees.
- Management purchased and originated a majority of loans (73 percent by number and 62 percent by dollar volume) inside its AAs.
- SNB SD's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the credit needs of the AAs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's LTD ratio is reasonable.

SNB SD's average LTD ratio for the 12 quarters from January 1, 2016 to December 31, 2018 was 69.5 percent. The ratio ranged from a quarterly high of 79.8 percent to a quarterly low of 55.3 percent. As a

result of increased loan growth, the ratio experienced significant improvements since the prior CRA examination. The ratio steadily increased from 55.3 percent in the first quarter of 2016 to 72.9 percent in the fourth quarter of 2018. This analysis was performed at a bank-wide level as opposed to an AA level.

SNB SD's average LTD ratio compared reasonably to the average LTD ratio of six similarly-situated banks that have operations in their AAs. The average LTD ratio for those six institutions over the same time period was 84.6 percent, and it ranged from a quarterly high of 102.4 percent to a quarterly low of 38.1 percent.

In addition to balance sheet loans, the bank also annually originates an average of 24 mortgage loans totaling \$4.9 million, or 2.5 percent of assets. These loans are subsequently sold to the secondary market. They also originate commercial loans that are subsequently sold to an affiliate bank.

Lending in Assessment Area

A majority of the bank's loans are originated or purchased inside its AAs.

The bank originated and purchased 73 percent by number and 62 percent by dollar volume of its total loans inside the bank's AAs during the evaluation period. This analysis is also performed at a bank-wide level as opposed to an AA level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	31	77.5	9	22.5	40	16,878	61.5	10,586	38.5	27,464
Consumer	57	71.3	23	28.7	80	1,564	62.0	960	38.0	2,524
Total	88	73.3	32	26.7	120	18,442	61.5	11,546	38.5	29,988

Description of Institution

SNB SD is an intrastate financial institution headquartered in Dakota Dunes, South Dakota. As of December 31, 2018, SNB SD had total assets of \$193 million and tier-one capital of \$21 million. The Bank is wholly owned by Security National Corporation (SNC), a \$1.4 billion, three-bank holding company also headquartered in Dakota Dunes, SD. SNB SD primarily serves the communities of Sioux Falls and Dakota Dunes. Management operates three full-service branches with one in Dakota Dunes and two in Sioux Falls. Additionally, they manage three non-deposit taking automated teller machines (ATMs) within their AAs. Management's business strategy is focused on serving their local communities by offering a wide array of personal, commercial, and agricultural products and services. As of December 31, 2018, net loans totaled \$111 million and represented 57 percent of total assets. By dollar volume, the loan portfolio is comprised of the following types of credit: 78 percent real estate loans, 13 percent commercial loans, 4 percent individual loans, and 5 percent other loans.

For the purposes of CRA, SNB SD operates with one rating area and two AAs. Their rating area is the State of South Dakota, and their AAs are the Sioux Falls and Sioux City MSAs. The Sioux City MSA is located in the Sioux City IA-NE-SD Multi-State MSA. However, because the bank's operations are limited to a portion of Union County in South Dakota, their performance in this AA was incorporated into the State of South Dakota rating. Both AAs are reasonable given the location of the bank's branches and ATMs. Each AA complies with regulatory requirements and does not arbitrarily exclude any LMI census tracts. The Sioux Falls MSA AA includes forty-seven census tracts, and the Sioux City MSA AA includes one census tract.

Examiners completed one community contact in the Sioux Falls MSA AA as part of this examination. The contact was completed via telephone with the President and CEO of an organization that promotes economic growth in the AA. Their organization's mission is to improve its community by purchasing large sections of land and assisting in the development of industrial parks throughout Sioux Falls. The contact stated the local economy is strong but is experiencing some adverse effects from the depressed agriculture industry. Businesses are doing well, and household incomes have continued to increase year over year. The contact stated that credit needs in the AA include funding for medical and manufacturing facilities. The general perception towards local financial institutions remains positive, and the contact is not aware of significant funding gaps.

Additionally, we reviewed four other community contacts recently completed by the Federal Deposit Insurance Corporation. The contacts represented both AAs. Each of them similarly noted good economies with strong housing markets and low unemployment rates. However, some also voiced concerns regarding the agricultural economy considering the significant amount of adverse weather conditions endured throughout the 2018 and 2019 operating seasons. Identified credit needs included additional funding for housing (both affordable and market rate), start-up businesses, and larger commercial operations. The perception towards local financial institutions was overwhelmingly positive with no indications of material funding gaps.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs during the evaluation period. SNB SD received a Satisfactory rating at its prior CRA examination dated August 31, 2016.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated SNB SD using small bank examination procedures, which are limited to the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. We reviewed consumer loans in both the Sioux Falls MSA and Sioux City MSA AAs and commercial loans in the Sioux Falls MSA AA, as those were determined to be the bank's primary loan products when considering volume by number and dollar.

When determining conclusions for SNB SD, we weighted the bank's performance in the Sioux Falls MSA AA most heavily. The bank's operations in that AA represent 67 percent of branch locations, 53 percent of total deposits as of June 30, 2018, and 95 percent of loan originations by dollar when considering branch locations.

The evaluation period for the Lending Test is January 1, 2016 to December 31, 2018. Loans originated in 2016 are compared to 2006-2010 American Community Survey (2010 ACS) data, and loans originated in 2017-2018 are compared to 2011-2015 ACS (2015 ACS) data and, therefore, were evaluated separately.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area, multistate metropolitan statistical area, or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of South Dakota

CRA rating for the State of South Dakota: Satisfactory.

The Lending Test is rated: Satisfactory.

The major factors that support this rating include:

- SNB SD's LTD ratio is reasonable given the institution's size, financial condition, and the credit needs of its AAs.
- Management purchased and originated a majority of loans (73 percent by number and 62 percent by dollar volume) inside its AAs.
- The borrower distribution of loans to consumers of different income levels (including LMI individuals) and businesses of different sizes reflects poor distribution of AA demographics.
- The geographic distribution of loans across census tracts of different income level reflects reasonable distribution of AA demographics.

Description of Institution's Operations in South Dakota

SNB SD manages three branches and three ATMs in South Dakota. Their operations are divided into two AAs, the Sioux Falls MSA and the Sioux City MSA.

Sioux Falls MSA AA

The Sioux Falls MSA AA includes the southern half of Minnehaha County and the northern half of Lincoln County, including the communities of Brandon, Harrisburg, Hartford, Lennox, Sioux Falls, and Tea. SNB SD operates two full-service branches in Sioux Falls, with one located on 26th Street just west of Interstate 29, and the other located on Louise Avenue just south of the Interstate 229 bypass. The bank also operates two non-deposit taking ATMs, one located at each branch. Of the forty-seven census tracts located within the Sioux Falls MSA AA, 17 are moderate-income, 18 are middle-income, and 12 are upper-income, based on 2018 census data. There are no low-income CTs in the AA.

As of June 30, 2018, SNB SD had \$81 million in deposits inside the Sioux Falls MSA AA, which represents 53 percent of total deposits. It accounts for 0.01 percent of total market share when considering the deposit totals for all banks within the AA, which places them fifteenth out of thirty-two total institutions. Two large multi-national banks (Wells Fargo and Citibank) have the majority of deposit market share within the AA (98.4 percent). There is a significant amount of competition when considering the institutions operate a combined total of 131 branches in the AA. Based on the 2015 ACS data, the Sioux Falls MSA AA has a population of 206,655.

The bank's primary business focus in the Sioux Falls MSA is commercial and consumer loans. Combined, the two product lines accounted for 72 percent of total originations by number and 75 percent by dollar during the evaluation period. The following chart provides a breakdown of loan originations in the Sioux Falls MSA AA:

SNB SD Loan Originations in the Sioux Falls MSA AA (1/1/16-12/31/18)				
	Number of Loans	Percentage of Loans by Number	Dollar Volume of Loans (\$000s)	Percentage of Loans by Dollar Volume
Agricultural	45	7.1	16,570	9.5
Commercial	163	25.8	122,121	70.0
Consumer	294	46.6	8,741	5.0
Home Mortgage	129	20.4	26,998	15.5
Total	631	100.0	174,430	100.0

We completed one community contact in the Sioux Falls MSA AA as part of this examination. The contact was completed via telephone with the President and CEO of an organization that promotes economic development in the AA. The contact stated economic conditions in the AA were strong with low unemployment and good demand for housing and business expansion. They also noted that there were opportunities for local financial institutions to promote community development, notably by offering credit facilities to help fund housing projects and commercial operations.

The following tables provide information on the demographic composition of the Sioux Falls MSA AA during each evaluation period:

Table A – Demographic Information of the AA						
AA: South Dakota Sioux Falls MSA 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	47	0.0	29.8	44.7	25.5	0.0
Population by Geography	192,259	0.0	29.0	45.3	25.6	0.0
Housing Units by Geography	77,349	0.0	32.7	43.8	23.5	0.0
Owner-Occupied Units by Geography	48,309	0.0	22.2	48.4	29.5	0.0
Occupied Rental Units by Geography	24,336	0.0	50.4	36.1	13.5	0.0
Vacant Units by Geography	4,704	0.0	50.0	36.8	13.2	0.0
Businesses by Geography	14,162	0.0	40.6	36.7	22.7	0.0
Farms by Geography	596	0.0	14.9	48.8	36.2	0.0
Family Distribution by Income Level	47,968	18.2	17.4	25.6	38.8	0.0
Household Distribution by Income Level	72,645	21.2	17.6	20.0	41.2	0.0
Median Family Income Sioux Falls MSA - SD	\$66,496		Median Housing Value			\$152,807
			Weighted Average Monthly Gross Rent			\$677
			Families Below Poverty Level			6.5%

Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0.
 (*) The NA category consists of geographies that have not been assigned an income classification.

Table A – Demographic Information of the AA						
AA: South Dakota Sioux Falls MSA 2017-18						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	47	0.0	36.2	38.3	25.5	0.0
Population by Geography	206,655	0.0	32.8	41.8	25.4	0.0
Housing Units by Geography	84,561	0.0	36.2	39.6	24.2	0.0
Owner-Occupied Units by Geography	52,016	0.0	24.3	45.6	30.2	0.0
Occupied Rental Units by Geography	27,727	0.0	56.4	29.8	13.8	0.0
Vacant Units by Geography	4,818	0.0	48.6	31.6	19.8	0.0
Businesses by Geography	15,099	0.0	42.7	30.2	27.1	0.0
Farms by Geography	559	0.0	14.1	42.4	43.5	0.0
Family Distribution by Income Level	51,590	19.4	17.8	24.0	38.8	0.0
Household Distribution by Income Level	79,743	22.4	18.3	18.5	40.9	0.0
Median Family Income Sioux Falls MSA - SD	\$72,948		Median Housing Value			\$162,149
			Weighted Average Monthly Gross Rent			\$730
			Families Below Poverty Level			7.5%
<i>Source: 2015 U.S. Census and 2018 D&B data. Due to rounding, totals may not equal 100.0.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Sioux City MSA AA

The Sioux City MSA AA includes a portion of Union County in South Dakota, which includes the communities of Dakota Dunes, Jefferson, Elk Point, and Beresford. SNB SD operates one full-service branch in Dakota Dunes. The bank also operates one non-deposit taking ATM at the branch. Based on 2018 census data, the Sioux City MSA AA includes one upper-income census tract. There were no low-, moderate-, or middle-income CTs in the AA.

As of June 30, 2018, SNB SD had \$72 million in deposits inside the Sioux City MSA AA, which represents 47 percent of total deposits. It accounts for 13.4 percent of total market share when considering the deposit totals for all banks within the AA, which places them fourth out of eight total institutions. Liberty National Bank and Premier Bank have the majority (50 percent) of deposit market share within the AA. There is a moderate amount of competition when considering the institutions operate a combined total of 11 branches in the AA. Based on the 2015 ACS data, the Sioux City MSA AA has a population of 7,578.

The bank's primary business focus in the Sioux City MSA AA is consumer loans. They accounted for 95 percent of total originations by number and 94 percent by dollar during the evaluation period. The following chart provides a breakdown of loan originations in the Sioux City MSA AA:

SNB SD Loan Originations in the Sioux City MSA AA (1/1/16-12/31/18)				
	Number of Loans	Percentage of Loans by Number	Dollar Volume of Loans (\$000s)	Percentage of Loans by Dollar Volume
Agricultural	0	0.0	0	0.0
Commercial	11	4.4	259	3.0
Consumer	238	94.8	8,132	93.5
Home Mortgage	2	0.8	306	3.5
Total	251	100.0	8,697	100.0

We reviewed four community contacts recently completed by the Federal Deposit Insurance Corporation whose organizations serve the Siouxland (Sioux Falls and Sioux City) area. The contacts represented organizations that promote economic growth and development. Each one stated the local economy was strong, with the exception of some agricultural producers that had been adversely affected by weather and depressed commodity prices. Credit needs were primarily related to loans to fund housing projects and business expansion.

The following tables provide information on the demographic composition of the Sioux City MSA AA during each evaluation period:

Table A – Demographic Information of the AA						
AA: South Dakota Sioux City MSA 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	0.0	100.0	0.0
Population by Geography	7,578	0.0	0.0	0.0	100.0	0.0
Housing Units by Geography	3,082	0.0	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	2,229	0.0	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	757	0.0	0.0	0.0	100.0	0.0
Vacant Units by Geography	96	0.0	0.0	0.0	100.0	0.0
Businesses by Geography	766	0.0	0.0	0.0	100.0	0.0
Farms by Geography	51	0.0	0.0	0.0	100.0	0.0
Family Distribution by Income Level	1,980	10.6	12.0	21.6	55.9	0.0
Household Distribution by Income Level	2,986	12.7	9.4	17.9	60.0	0.0
Median Family Income Sioux City MSA - SD	\$58,510		Median Housing Value			\$176,500
			Weighted Average Monthly Gross Rent			\$790
			Families Below Poverty Level			3.5%
<i>Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Table A – Demographic Information of the AA						
AA: South Dakota Sioux City MSA 2017-18						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	0.0	100.0	0.0
Population by Geography	7,809	0.0	0.0	0.0	100.0	0.0
Housing Units by Geography	3,517	0.0	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	2,273	0.0	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	946	0.0	0.0	0.0	100.0	0.0
Vacant Units by Geography	298	0.0	0.0	0.0	100.0	0.0
Businesses by Geography	801	0.0	0.0	0.0	100.0	0.0
Farms by Geography	54	0.0	0.0	0.0	100.0	0.0
Family Distribution by Income Level	1,962	6.1	9.7	20.4	63.8	0.0
Household Distribution by Income Level	3,219	13.6	12.1	14.6	59.7	0.0
Median Family Income Sioux City MSA - SD	\$60,974		Median Housing Value			\$215,000
			Weighted Average Monthly Gross Rent		\$825	
			Families Below Poverty Level		2.7%	
<i>Source: 2015 U.S. Census and 2018 D&B data. Due to rounding, totals may not equal 100.0.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in South Dakota

For purposes of this evaluation, bank dedicated AAs located in the same MSA are combined, analyzed, and presented as one AA.

We completed full-scope reviews of the Sioux Falls MSA and Sioux City MSA AAs. The Sioux Falls MSA AA carries the most weight in overall ratings, as it represents 67 percent of branches, 53 percent of deposit volume as of June 30, 2018, and 95 percent of loan volume by dollar originated during the evaluation period. Refer to the table in appendix A for a list of all AAs under review.

LENDING TEST

The bank's performance under the Lending Test in South Dakota is rated Satisfactory.

Based on full-scope reviews, the bank's lending performance in the state of South Dakota is Reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable distribution of loans across geographies of different income levels in the Sioux Falls MSA AA. We did not analyze the geographic distribution of loans in the Sioux City MSA AA because the AA does not include any LMI census tracts in either the 2016 or 2017-18 evaluation period. An analysis of this distribution would not provide meaningful results.

Small Loans to Businesses

Refer to Table Q in the state of South Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Loans originated in 2016 are compared to 2010 ACS data and loans originated in 2017-2018 are compared to 2015 ACS data and, therefore, were evaluated separately.

Sioux Falls MSA

In 2016, the geographic distribution of small loans to businesses in the Sioux Falls MSA AA is excellent. Based on 2010 ACS data, there were no low-income, and 14 moderate-income census tracts during the 2016 evaluation period. SNB SD originated 45.0 percent of loans to small businesses by number to borrowers located in a moderate-income census tract, which exceeds both census and aggregate CRA data. The 2010 ACS data indicates 40.6 percent of businesses are located in a moderate-income geography, and aggregate CRA data indicates 37.7 percent of small loans to businesses in the AA were originated to businesses located in a moderate-income CT.

In 2017-18, the geographic distribution of small loans to businesses in the Sioux Falls MSA AA is excellent. Based on 2015 ACS data, there were no low-income, and 17 moderate-income census tracts during the 2017-18 evaluation period. SNB SD originated 73.3 percent of loans to small businesses by number to borrowers located in a moderate-income census tract, which exceeds both census and aggregate CRA data. The 2015 ACS data indicates 42.7 percent of businesses are located in a moderate-income geography, and aggregate CRA data indicates 41.6 percent of small loans to businesses in the AA were originated to businesses located in a moderate-income CT.

Consumer Loans

Refer to Table U in the state of South Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

Sioux Falls MSA AA

In 2016, the geographic distribution of small loans to households located in different income census tracts in the Sioux Falls MSA AA is very poor. Based on 2010 ACS data, there were no low-income, and 14 moderate-income census tracts during the 2016 evaluation period. SNB SD originated 18.3 percent of loans to consumers by number to borrowers located in a moderate-income census tract, which is significantly lower than census data. The 2010 ACS data indicates 31.6 percent of households are located in a moderate-income geography.

In 2017-18, the geographic distribution of small loans to households located in different income census tracts in the Sioux Falls MSA AA is poor. Based on 2010 ACS data, there were no low-income, and 17 moderate-income census tracts during the 2017-18 evaluation period. SNB SD originated 31.7 percent of loans to consumers by number to borrowers located in a moderate-income census tract, which is lower than census data. The 2010 ACS data indicates 35.5 percent of households are located in a moderate-income geography.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a poor distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Loans originated in 2016 are compared to 2010 ACS data and loans originated in 2017-2018 are compared to 2015 ACS data and, therefore, were evaluated separately.

Small Loans to Businesses

Refer to Table R in the state of South Dakota section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Sioux Falls MSA

In 2016, the distribution of loans to businesses of different sizes in the Sioux Falls MSA AA is excellent. Small businesses are defined as those with gross annual revenues of \$1 million or less. Based on 2010 ACS data, 80.0 percent of businesses during the 2016 evaluation period were considered small. Aggregate CRA data indicates 47.8 percent of business loans were originated to small businesses within the AA. SNB SD originated 65.0 percent of loans by number to small businesses, which significantly exceeds aggregate CRA data.

In 2017-18, the distribution of loans to businesses of different sizes in the Sioux Falls MSA AA is very poor. Based on 2015 ACS data, 80.3 percent of businesses during the 2017-18 evaluation period were considered small. Aggregate CRA data indicates 53.1 percent of business loans were originated to small businesses within the AA. SNB SD originated 26.7 percent of loans by number to small businesses, which is significantly lower than both ACS and aggregate CRA data.

Consumer Loans

Refer to Table V in the state of South Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

Sioux Falls MSA AA

In 2016, the borrower distribution of small loans to households of different income levels in the Sioux Falls MSA AA is poor. Based on 2010 ACS data, 21.2 percent of households were low-income, and 17.6 percent of households were moderate-income during the 2016 evaluation period. SNB SD originated 10.0 percent of loans to consumers by number to borrowers located in a low-income census tract, and 16.7 percent of loans to consumers by number to borrowers located in a moderate-income census tract, which are both lower than comparative census data.

In 2017-18, the borrower distribution of small loans to households of different income levels in the Sioux Falls MSA AA is reasonable. Based on 2015 ACS data, 22.4 percent of households were low-income, and 18.3 percent of households were moderate-income during the 2016 evaluation period. SNB SD originated 16.7 percent of loans to consumers by number to borrowers located in a low-income census tract, and 35.0 percent of loans to consumers by number to borrowers located in a moderate-income census tract. The bank's performance with respect to low-income borrowers is lower than comparative census data, and their performance with respect to moderate-income borrowers significantly exceeds comparative census data.

Sioux City MSA AA

In 2016, the borrower distribution of small loans to households of different income levels in the Sioux City MSA AA is poor. Based on 2010 ACS data, 12.7 percent of households were low-income, and 9.4 percent of households were moderate-income during the 2016 evaluation period. SNB SD originated 8.3 percent of loans to consumers by number to borrowers located in a low-income census tract, and 12.5 percent of loans to consumers by number to borrowers located in a moderate-income census tract. The bank's performance with respect to low-income borrowers is lower than comparative census data, and their performance with respect to moderate-income borrowers exceeds comparative census data.

In 2017-18, the borrower distribution of small loans to households of different income levels in the Sioux City MSA AA is poor. Based on 2015 ACS data, 13.6 percent of households were low-income, and 12.1 percent of households were moderate-income during the 2016 evaluation period. SNB SD originated 3.3 percent of loans to consumers by number to borrowers located in a low-income census tract, and 20.0 percent of loans to consumers by number to borrowers located in a moderate-income census tract. The bank's performance with respect to low-income borrowers is lower than comparative census data, and their performance with respect to moderate-income borrowers exceeds comparative census data.

Based on discussion with management, the bank's poor borrower distribution of loans to individuals of different income levels is primarily due to a lack of loan demand from qualified low-income applicants. Their performance with respect to moderate-income borrowers exceeded comparative demographic data in the following categories: 2016 Sioux City MSA AA, 2017-18 Sioux City MSA AA, and 2017-18 Sioux Falls MSA AA. On a consolidated basis (combining performance with respect to low- and moderate-income borrowers), the bank's performance more reasonably compares to AA demographics. Management continues to offer and market their products and services to consumers.

Responses to Complaints

Management did not receive any complaints related to SNB SD's CRA performance in either the Sioux Falls MSA or Sioux City MSA AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	1/1/2016 to 12/31/2018	
Bank Products Reviewed:	Small Business and Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
MMSA(s)		
None	N/A	N/A
State of South Dakota		
Sioux Falls MSA AA	Full Scope	Includes portions of Minnehaha and Lincoln Counties Includes both Sioux Falls branches Primary products are commercial and consumer loans
Sioux City MSA AA	Full Scope	Includes portion of Union County Includes the Dakota Dunes branch Primary product is consumer loans

Appendix B: Summary of MMSA and State Ratings

RATINGS: SECURITY NATIONAL BANK OF SOUTH DAKOTA	
Overall Bank:	Lending Test Rating:
SNB South Dakota	Satisfactory
State:	
South Dakota	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$ (000's)	% of Total	Overall Market	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.
SNB of SD Sioux Falls MSA	20	15,953	100.0	5,041	0.0	0.0	0.0	40.6	45.0	37.7	36.6	15.0	36.3	22.7	40.0	26.0
Total	20	15,953	100.0	5,041	0.0	0.0	0.0	40.6	45.0	37.7	36.6	15.0	36.3	22.7	40.0	26.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$ (000's)	% of Total	Overall Market	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.	% Businesses	% Bank Loans	Agg.
SNB of SD Sioux Falls MSA	60	25,333	100.0	4,727	0.0	0.0	0.0	42.7	73.3	41.6	30.1	13.3	29.0	27.1	13.3	29.4
Total	60	25,333	100.0	4,727	0.0	0.0	0.0	42.7	73.3	41.6	30.1	13.3	29.0	27.1	13.3	29.4

Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$ (000's)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
SNB of SD Sioux Falls MSA	20	15,953	100.0	5,041	80.0	65.0	47.8	7.6	35.0	12.4	0.0
Total	20	15,953	100.0	5,041	80.0	65.0	47.8	7.6	35.0	12.4	0.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$ (000's)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
SNB of SD Sioux Falls MSA	60	25,333	100.0	4,727	80.3	26.7	53.1	7.2	73.3	12.5	0.0
Total	60	25,333	100.0	4,727	80.3	26.7	53.1	7.2	73.3	12.5	0.0

Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts	
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
SNB of SD Sioux Falls MSA	60	1,579	100.0	0.0	0.0	31.6	18.3	44.3	25.0	24.1	56.7
Total	60	1,579	100.0	0.0	0.0	31.6	18.3	44.3	25.0	24.1	56.7

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts	
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
SNB of SD Sioux Falls MSA	60	1,943	100.0	0.0	0.0	35.5	31.7	40.1	36.7	24.5	31.7
Total	60	1,943	100.0	0.0	0.0	35.5	31.7	40.1	36.7	24.5	31.7

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
SNB of SD Sioux City MSA	48	1,976	44.4	12.7	8.3	9.4	12.5	17.9	12.5	60.0	66.7
SNB of SD Sioux Falls MSA	60	1,579	55.6	21.2	10.0	17.6	16.7	20.0	38.3	41.2	35.0
Total	108	3,555	100.0	20.8	9.3	17.3	14.8	19.9	26.9	41.9	49.1

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0

Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
SNB of SD Sioux City MSA	60	1,242	39.0	13.6	3.3	12.1	20.0	14.6	25.0	59.7	51.7
SNB of SD Sioux Falls MSA	60	1,943	61.0	22.4	16.7	18.3	35.0	18.5	30.0	40.9	18.3
Total	120	3,185	100.0	22.0	10.0	18.0	27.5	18.4	27.5	41.6	35.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0