



## PUBLIC DISCLOSURE

February 3, 2014

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

601 Pierce Street  
Sioux City, IA 51102

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.

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**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory.**

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

- The bank's loan-to-deposit ratio is reasonable when considering the bank's size, financial condition, and the credit needs of the assessment areas (AA).<sup>1</sup>
- A majority of the bank's loans are originated inside its AAs.
- The income and geographic distribution of loans is reasonable.
- Community development (CD) activities represent adequate responsiveness to AA needs.

## **Scope of Examination**

The Security National Bank of Sioux City, Iowa (SNB) was evaluated under the Intermediate Small Bank examination procedures, which includes a Lending Test and a CD Test for the Sioux City IA-NE-SD Multistate Metropolitan Statistical Area (MSA) and the State of Iowa. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The Lending Test covers the bank's performance from January 1, 2011 to September 30, 2013.

The Lending Test evaluated agriculture, commercial, consumer, and residential real estate loans originated by management during the evaluation period. To evaluate agriculture, commercial, and consumer lending performance, we selected a random sample of 20 loans originated in 2011 and 20 loans originated in 2012 and 2013, per loan type per AA. Loan data from 2011 was compared to 2000 U.S. Census data. Loan data from 2012-2013 was compared to 2010 U.S. Census data. To evaluate residential real estate loans, we relied on data submitted under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable prior to the start of the examination. We based market comparisons on 2011 and 2013 peer data.

The CD Test evaluates the bank's record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services. The CD Test covers the bank's performance from January 20, 2011 to February 3, 2014.

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<sup>1</sup> The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the Performance Evaluation relating to states and multistate metropolitan areas.

## **Description of Institution**

SNB is an intrastate financial institution headquartered in Sioux City, Iowa. SNB had total assets of \$834 million and tier one capital of \$81 million as of December 31, 2013. SNB is wholly owned by Security National Corporation (SNC), a three bank holding company headquartered in Dakota Dunes, South Dakota. As of December 31, 2013, SNC had total assets of \$1.2 billion.

SNB operates seven locations and 11 automatic teller machines (ATMs) in Iowa. The main office, motor bank, and three branches are located in Sioux City. Additionally, three deposit-taking ATMs and six cash-dispensing ATMs are located in Sioux City. SNB operates one branch and one cash-dispensing ATM in Akron. An additional branch and one deposit-taking ATM are located in Mapleton.

The Mapleton branch was previously a standalone affiliate charter and was merged into SNB on April 23, 2012. No other mergers, acquisitions, branch openings, or branch closings occurred during the evaluation period.

SNB's primary business focus is consistent with the traditional community bank model. SNB offers a full range of credit products within its AAs, including agriculture, commercial, consumer, and residential real estate loans. As of December 31, 2013, net loans accounted for 54 percent of total assets. As of December 31, 2013, agriculture loans represented 49 percent of the loan portfolio, residential real estate loans 24 percent, commercial loans 17 percent, and consumer loans 3 percent. SNB also provides a wide range of retail deposit products to its customers.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AAs. SNB received a Satisfactory rating in its last Performance Evaluation dated January 20, 2011.

## **Selection of Areas for Full-Scope Review**

In each state and multistate metropolitan area where the bank has an office, an AA within that area was selected for a full-scope review. Refer to the Scope section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of the Sioux City IA-NE-SD MSA rating and the State of Iowa rating. The rating for the Sioux City IA-NE-SD MSA was weighted more heavily than the rating for the State of Iowa, as the majority of the bank's branches, deposit activity, and loan volume is focused in that area. As of June 30, 2013, 67 percent of the bank's branches, 86 percent of its deposit volume, and 92 percent of its lending activity was located in the Sioux City IA-NE-SD MSA.

## Conclusions with Respect to Performance Criteria

SNB's performance under the Lending Test is satisfactory. SNB's loan-to-deposit ratio is reasonable. A majority of SNB's loans are originated to borrowers located inside its AAs.

### Loan-to-Deposit Ratio

SNB's loan-to-deposit ratio is reasonable given its size, financial condition, and the AA's credit needs. SNB's average quarterly loan-to-deposit ratio was 73 percent for the 11 quarters between March 31, 2011 and September 30, 2013. The ratio ranged from a quarterly low of 68 percent and a quarterly high of 78 percent.

The bank's loan-to-deposit ratio compares satisfactorily with other community banks operating in the bank's AAs. The competitor banks ranged in total asset size between \$146 million and \$489 million. The average loan-to-deposit ratio for competitor community banks was 79 percent for the 11 quarters between March 31, 2011 and September 30, 2013. The ratio ranged from an average quarterly low of 67 percent and an average quarterly high of 101 percent.

### Lending in Assessment Area

SNB originates a majority of its loans within its AAs. We reviewed 80 agriculture loans, 40 commercial loans, and 40 consumer loans originated in between January 1, 2011 and September 30, 2013 and analyzed HMDA data to assess performance with this criterion. Management originated 88 percent of its loans by number and 67 percent of its loans by dollar to borrowers within the bank's AAs.

Table 1 details lending within the bank's AAs by number and dollar amount of loans.

Table 1 - Lending in Sioux City MSA and Non-MSA										
Loan Type	Number of Loans					Dollars of Loans (in 000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	54	68	26	32	80	14,203	66	7,429	34	21,632
Commercial	22	55	18	45	40	7,033	26	19,557	74	26,590
Consumer	39	98	1	2	40	404	97	14	3	418
HMDA	746	91	76	9	822	65,523	80	16,046	20	81,569
Total	861	88	121	12	982	87,163	67	43,046	33	130,209

Source: Loan sample; 2011-2013 HMDA

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's 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.

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

## **Multistate Metropolitan Area Rating**

### **Sioux City IA-NE-SD Multistate Metropolitan Area**

**CRA Rating for the Sioux City IA-NE-SD MSA<sup>2</sup>: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

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

SNB's performance in the Sioux City IA-NE-SD MSA meets the standards for satisfactory performance.

- The distribution of loans to borrowers of different income levels and businesses and farms of different sizes reflects reasonable penetration.
- The geographic distribution of loans to low- and moderate-income geographies reflects reasonable dispersion.
- SNB's CD activities demonstrate adequate responsiveness to the CD needs of the AA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN SIOUX CITY IA-NE-SD MSA**

During the evaluation period, SNB considered the entire Sioux City IA-NE-SD MSA as one of its AAs. SNB operated four branches, a motor bank, and nine ATMs in the Sioux City IA-NE-SD MSA, all of which are located in Sioux City, Iowa. The Sioux City IA-NE-SD MSA is SNB's major market and accounted for 86 percent of the bank's deposits and 92 percent of loans during the evaluation period.

SNB reported \$589 million of deposits in the Sioux City IA-NE-SD MSA as of June 30, 2013. According to FDIC market share information as of that date, this ranked SNB as first in the AA with a deposit market share of 15 percent.

The Sioux City IA-NE-SD MSA includes all of the following counties: Woodbury county, Iowa, Dakota county, Nebraska, and Union county, South Dakota. The MSA included 33 census tracts (CTs) in 2013. One CT was low-income, seven were moderate-income, 17 were middle-income, and seven were upper-income. The income level of one CT was unavailable. One-hundred thirty-eight thousand people and 52 thousand households lived in the MSA during 2013. Of the households, 23 percent were low-income, 16 percent were moderate-income, 20 percent were middle-income, and

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<sup>2</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

41 percent were upper-income. Twelve percent of the households lived below the poverty level. The weighted-average median household income was \$48,298 in 2013.

Sixty-five percent of the housing units in the MSA were owner-occupied and 29 percent were renter-occupied in 2013. The weighted-average of median housing was \$105,994 and the weighed-average of monthly gross rent was \$603.

The Sioux City IA-NE-SD MSA included 12 thousand businesses in 2013. Ninety-one percent of the businesses were non-farm businesses and 67 percent employed fewer than five people. Seventy-four percent of the businesses reported gross annual revenue under \$1 million.

The economy in the Sioux City IA-NE-SD MSA was favorable during the evaluation period. According to the Bureau of Labor Statistics, the seasonally-adjusted unemployment rate steadily improved from 6.00 percent in January 2011 to 4.40 percent in December 2013. This is near the State of Iowa unemployment rate of 4.20 percent in December 2013 and below the national employment rate of 6.70 percent in December 2013. Major employers in the MSA include two health care systems, the Sioux City school system, a meat packing plant, three colleges, and the United States Air Force.

Competition in the Sioux City IA-NE-SD MSA is strong. Competition includes local community banks and branches of larger regional and national institutions. As of June 30, 2013, there were 37 institutions with 91 offices located in the MSA.

## **SCOPE OF EVALUATION IN SIOUX CITY IA-NE-SD MSA**

SNB had only one AA in the Sioux City IA-NE-SD MSA during the evaluation period. The multistate metropolitan area rating was based on a full-scope review of this area.

We contacted one community organization in the Sioux City IA-NE-SD MSA in conjunction with this examination. The contact was a director of an organization supporting business development. The contact identified commercial and home loans as the primary credit needs in the AA. SNB offers these types of loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SIOUX CITY IA-NE-SD MSA**

SNB's performance under the Lending and CD Tests in the Sioux City IA-NE-SD MSA is rated Satisfactory. The borrower distribution of loans reflects reasonable penetration among families of different income levels and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion among geographies of different income levels. The volume of CD loans, investments, and services reflects adequate responsiveness to CD needs and opportunities of the MSA.



## LENDING TEST

The bank's performance under the lending test in the Sioux City IA-NE-SD MSA is rated Satisfactory.

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

The distribution of home loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration of the MSA's demographics during the evaluation period. The distribution of agriculture loans to farms of different sizes reflects poor penetration of the MSA's demographics during the evaluation period.

A large volume of SNB's agriculture loans originated in the Sioux City IA-NE-SD MSA are participations purchased from affiliate banks as a result of legal lending limit restrictions. These loans are typically large loans from high revenue borrowers, which impacted SNB's agriculture performance under this test.

The distribution of home loans to borrowers of different income levels meets the standards for satisfactory performance in 2011. Eighteen percent of MSA families were low-income in 2011. Nine percent of home purchase loans, 31 percent of home improvement loans, and 10 percent of home refinance loans were to low-income families. Nineteen percent of MSA families were moderate-income in 2011. Fifteen percent of home purchase loans, 20 percent of home improvement, and 16 percent of home refinance loans were to moderate-income families.

Table 2A includes the data used to evaluate the borrower distribution of the bank's home mortgage loans.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.74	9.09	18.89	14.55	24.34	9.09	39.03	58.18
Home Improvement	17.74	31.48	18.89	20.37	24.34	18.52	39.03	27.78
Home Refinance	17.74	10.39	18.89	15.58	24.34	19.48	39.03	46.75

Source: 2000 U.S. Census data; 2011 HMDA

The distribution of home loans to borrowers of different income levels meets the standards for satisfactory performance in 2012-2013. Twenty percent of MSA families were low-income in 2013. Two percent of home purchase loans, 21 percent of home improvement loans, and 6 percent of home refinance loans were to low-income families. Eighteen percent of MSA families were moderate-income in 2013. Nineteen percent of home purchase loans, 30 percent of home improvement loans, and 16 percent of home refinance loans were to moderate-income families.

Table 2B includes the data used to evaluate the borrower distribution of the bank’s home mortgage loans.

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans in Sioux City MSA (2012-2013)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.72	2.33	18.32	18.60	22.42	15.12	39.54	54.65
Home Improvement	19.72	21.21	18.32	29.55	22.42	18.18	39.54	26.52
Home Refinance	19.72	6.36	18.32	15.91	22.42	18.18	39.54	44.09

Source: 2010 U.S. Census data; 2012-2013 HMDA

The distribution of commercial loans to businesses of different sizes meets the standards for satisfactory performance in 2011. Sixty-seven percent of MSA businesses reported gross annual revenue below \$1 million in 2011. Seventy-five percent of commercial loans by number and 34 percent of commercial loans by dollar were to businesses with gross annual revenue below \$1 million.

Table 3A includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 3A - Borrower Distribution of Loans to Businesses in Sioux City MSA (2011)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	67.21	3.66	29.13	100.00
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00
% of Bank Loans in AA by \$	33.75	66.25	0.00	100.00

Source: 2000 U.S. Census data; Loan sample

The distribution of commercial loans to businesses of different sizes meets the standards for satisfactory performance in 2012-2013. Seventy-one percent of MSA businesses reported gross annual revenue below \$1 million in 2013. Seventy-five percent of commercial loans by number and 25 percent of commercial loans by dollar were to businesses with gross annual revenue below \$1 million.

Table 3B includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 3B - Borrower Distribution of Loans to Businesses in Sioux City MSA (2012-2013)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	70.95	5.36	23.69	100.00
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00
% of Bank Loans in AA by \$	24.53	75.47	0.00	100.00

Source: 2010 U.S. Census data; Loan sample

The distribution of agriculture loans to farms of different sizes does not meet the standards for satisfactory performance in 2011. Ninety-nine percent of MSA farms reported gross annual revenue below \$1 million in 2011. Thirty percent of agriculture loans by number and 42 percent of agriculture loans by dollar were to farms with gross annual revenue below \$1 million.

Table 4A includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 4A - Borrower Distribution of Loans to Farms in Sioux City MSA (2011)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.69	0.61	0.70	100.00
% of Bank Loans in AA by #	30.00	70.00	0.00	100.00
% of Bank Loans in AA by \$	42.42	57.58	0.00	100.00

*Source: 2000 U.S. Census data; Loan sample*

The distribution of agriculture loans to farms of different sizes does not meet the standards for satisfactory performance in 2012-2013. Ninety-nine percent of MSA farms reported gross annual revenue below \$1 million in 2013. Thirty percent of agriculture loans by number and 9 percent of agriculture loans by dollar were to farms with gross annual revenue below \$1 million.

Table 4B includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 4B - Borrower Distribution of Loans to Farms in Sioux City MSA (2012-2013)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.91	0.67	0.42	100.00
% of Bank Loans in AA by #	30.00	70.00	0.00	100.00
% of Bank Loans in AA by \$	8.71	91.29	0.00	100.00

*Source: 2010 U.S. Census data; Loan sample*

## **Geographic Distribution of Loans**

The distribution of home loans to geographies of different income levels reflects reasonable penetration of the MSA's demographics during the evaluation period. The distribution of commercial loans to geographies of different income levels reflects excellent penetration of the MSA's demographics during the evaluation period. The distribution of agriculture loans to geographies of different income levels reflects poor penetration of the MSA's demographics during the evaluation period.

Management's opportunity to lend to farms in low- and moderate-income CTs in the Sioux City IA-NE-SD MSA is limited, as only 44 farms are located in a low- or moderate-income CT in the MSA. Strong competition for agriculture loans from competitor banks and Farm Credit Services of America and the good agriculture economy, which resulted

in increased revenues and reduced loan demand, also impacted SNB's performance under this test.

The distribution of home loans to geographies of different income levels meets the standards for satisfactory performance in 2011. Thirteen percent of owner-occupied housing was located in moderate-income CTs in 2011. Eleven percent of home purchase loans, 11 percent of home improvement loans, and 6 percent of home refinance loans were to moderate-income CTs.

Table 5A includes the data used to evaluate the geographic distribution of the bank's home mortgage loans.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	12.76	10.91	57.98	36.36	29.26	52.73
Home Improvement	0.00	0.00	12.76	11.11	57.98	55.56	29.26	33.33
Refinancing	0.00	0.00	12.76	6.49	57.98	45.45	29.26	48.06

Source: 2000 U.S. Census data; 2011 HMDA

The distribution of home loans to geographies of different income levels meets the standards for satisfactory performance in 2012-2013. Less than 1 percent of owner-occupied housing was located in low-income CTs in 2013. Two percent of home purchase loans were to low-income CTs. Fifteen percent of owner-occupied housing was located in moderate-income CTs in 2013. Nine percent of home purchase loans, 13 percent of home improvement loans, and 8 percent of home refinance loans were to moderate-income CTs.

Table 5B includes the data used to evaluate the geographic distribution of the bank's home mortgage loans.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.18	2.33	14.68	9.30	54.32	34.88	30.82	53.49
Home Improvement	0.18	0.00	14.68	12.88	54.32	51.52	30.82	35.60
Refinancing	0.18	0.00	14.68	7.73	54.32	43.18	30.82	49.09

Source: 2010 U.S. Census data; 2012-2013 HMDA

The distribution of commercial loans to geographies of different income levels exceeds the standards for satisfactory performance in 2011. Two percent of businesses were located in low-income CTs and 20 percent of businesses were located in moderate-income CTs in 2011. Sixty percent of commercial loans were to businesses located in moderate-income CTs.

Table 6A includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 6A - Geographic Distribution of Loans to Businesses in Sioux City MSA (2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	1.56	0.00	20.39	60.00	46.54	25.00	31.51	15.00

Source: 2000 U.S. Census data; Loan sample

The distribution of commercial loans to geographies of different income levels exceeds the standards for satisfactory performance in 2012-2013. Two percent of businesses were located in low-income CTs and 24 percent were located in moderate-income CTs in 2013. Fifty-five percent of commercial loans were to businesses located in moderate-income CTs.

Table 6B includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 6B - Geographic Distribution of Loans to Businesses in Sioux City MSA (2012-2013)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	1.66	0.00	24.11	55.00	42.69	35.00	31.54	10.00

Source: 2010 U.S. Census data; Loan sample

The distribution of agriculture loans to geographies of different income levels does not meet the standards for satisfactory performance in 2011. Less than one percent of farms were located in low-income CTs and 3 percent were located in moderate-income CTs in 2011. Management did not make an agriculture loan to any of these farms in 2011.

Table 7A includes the data used to evaluate the geographic distribution of the bank's agriculture loans.

<b>Table 7A - Geographic Distribution of Loans to Farms in Sioux City MSA (2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.09	0.00	3.23	0.00	77.86	100.00	18.82	0.00

Source: 2000 U.S. Census data; Loan sample

The distribution of agriculture loans to geographies of different income levels does not meet the standards for satisfactory performance in 2012-2013. Less than one percent of farms were located in low-income CTs and 4 percent were located in moderate-income CTs in 2013. Management did not make an agriculture loan to any of these farms in 2012-2013.

Table 7B includes the data used to evaluate the geographic distribution of the bank's agriculture loans.

<b>Table 7B - Geographic Distribution of Loans to Farms in Sioux City MSA (2012-2013)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.17	0.00	3.50	0.00	73.94	100.00	22.39	0.00

Source: 2010 U.S. Census data; Loan sample

## Responses to Complaints

Neither the bank nor the OCC received any complaints related to the bank's CRA performance in the Sioux City IA-NE-SD MSA.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in the Sioux City IA-NE-SD MSA is rated Satisfactory. CD activities demonstrate adequate responsiveness to CD needs and opportunities in the MSA. CD loans and investments totaled \$3.3 million and represent 4.04 percent of tier one capital as of December 31, 2013. Management provided service hours to 20 organizations in the MSA during the evaluation period.

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

Management made 12 CD loans totaling \$3.2 million in the Sioux City IA-NE-SD MSA during the evaluation period. The CD loans provided funding to organizations providing economic development, community services, and affordable housing to the MSA.

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

Management made 52 qualified investments totaling \$98 thousand in the Sioux City IA-NE-SD MSA during the evaluation period. The investments were donations that supported several organizations providing community services to the MSA.

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

Management provided service hours to 20 qualified organizations in the MSA during the evaluation period. Examples of CD services provided by management include:

- One employee serves on the Board of Directors of multiple organizations that provide community services to low- and moderate-income individuals.
- Several employees serve on various committees at an organization that provides affordable housing to low- and moderate-income individuals.
- One employee serves on the Board of Directors of an organization that promotes economic development for small businesses in the MSA.

The availability of banking services to low- and moderate-income areas is good. SNB's main branch, motor bank, and a deposit-taking ATM are located in a moderate-income CT. Hours and services available at the locations in the moderate-income CT are consistent with those offered at branches located in middle- and upper-income CTs.

### **Responsiveness to Community Development Needs**

Management's CD activities represent adequate responsiveness to CD needs in the MSA. A community contact identified small business loans and affordable housing at the primary CD needs of the MSA. Fourteen percent of CD loans and three organizations served by management were responsive to these needs.

## State Rating

### State of Iowa

**CRA Rating for the State of Iowa<sup>3</sup>: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

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

SNB's performance in Iowa meets the standards for satisfactory performance.

- The distribution of loans to borrowers of different income levels and farms of different sizes reflects reasonable penetration.
- SNB's CD activities demonstrate adequate responsiveness to the CD needs of the AA when compared to the limited CD opportunities in the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN IOWA

During the evaluation period, SNB operated within two AAs in Iowa: Monona county and Plymouth county. For purposes of this evaluation, we combined the two AAs into one AA (called the Non-MSA AA) because the customer demographics and bank's market share and lending strategy were similar in both AAs. SNB operated two branches and two ATMs in the Non-MSA AA during evaluation period.

SNB reported \$86 million of deposits in the Non-MSA AA as of June 30, 2013. According to FDIC market share information as of that date, SNB ranked fifth in the AA with a deposit market share of 7 percent.

The Non-MSA AA includes all of the CTs in Monona county and Plymouth county. The AA included 10 CTs in 2013. Eight CTs were middle-income and two were upper-income. Thirty-four thousand people and 14 thousand households lived in the AA during 2013. Of the households, 20 percent were low-income, 15 percent were moderate-income, 18 percent were middle-income, and 47 percent were upper-income. Eight percent of the households lived below the poverty level. The weighted-average median household income was \$52,370 in 2013.

Seventy-two percent of the housing units in the AA were owner-occupied and 20 percent were renter-occupied in 2013. The weighted-average of median housing was \$107,221 and the weighed-average of monthly gross rent was \$520.

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<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.



The Non-MSA AA included 4 thousand businesses in 2013. Seventy-four percent of the businesses were non-farm businesses and 77 percent employed fewer than five people. Eighty-two percent of the businesses reported gross annual revenue under \$1 million.

The economy in the Non-MSA AA was favorable during the evaluation period. According to the Iowa Department of Workforce Development, the unemployment rate steadily improved from 5.10 percent in January 2011 to 4.10 percent in December 2013. This is below the State of Iowa unemployment rate of 4.20 percent in December 2013 and below the national employment rate of 6.70 percent in December 2013. Major employers in the Non-MSA AA include farms, agriculture businesses, a large trucking company, health care systems, and school systems.

Competition in the Non-MSA AA is strong. Competition primarily includes local community banks but some regional institutions have a presence in the AA as well. As of June 30, 2013, there were 19 institutions with 28 offices located in the AA.

## **SCOPE OF EVALUATION IN IOWA**

SNB had two AAs in the Non-MSA AA during the evaluation period. For purposes of this evaluation, we combined the AAs into one. The State of Iowa rating was based on a full-scope review of this area.

We contacted one community organization in the Non-MSA AA in conjunction with this examination. The contact was a portfolio manager of a government organization supporting the agriculture sector. The contact identified agriculture feeder-type loans and home loans as the primary credit needs in the AA. SNB offers these types of loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA**

SNB's performance under the Lending and CD Tests in the Non-MSA AA is rated Satisfactory. Borrower distribution of loans reflects reasonable penetration among households of different income levels and farms of different sizes. The volume of CD loans, investments, and services reflects adequate responsiveness to CD needs and opportunities of the AA.

### **LENDING TEST**

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

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

The distribution of agriculture loans to farms of different sizes and consumer loans to households of different income levels reflects reasonable penetration of the AA's demographics during the evaluation period.

The distribution of agriculture loans to farms of different sizes meets the standards for satisfactory performance in 2011. Ninety-nine percent of AA farms reported gross annual revenue below \$1 million in 2011. Ninety-five percent of agriculture loans by number and 98 percent of agriculture loans by dollar were to farms with gross annual revenue below \$1 million.

Table 8A includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 8A - Borrower Distribution of Loans to Farms in Non-MSA AA (2011)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.87	0.98	0.15	100.00
% of Bank Loans in AA by #	95.00	5.00	0.00	100.00
% of Bank Loans in AA by \$	97.71	2.29	0.00	100.00

*Source: 2000 U.S. Census data; Loan sample*

The distribution of agriculture loans to farms of different sizes meets the standards for satisfactory performance in 2012-2013. Ninety-nine percent of AA farms reported gross annual revenue below \$1 million in 2013. Eighty-five percent of agriculture loans by number and 88 percent of agriculture loans by dollar were to farms with gross annual revenue below \$1 million.

Table 8B includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 8B - Borrower Distribution of Loans to Farms in Non-MSA AA (2012-2013)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.21	0.61	0.18	100.00
% of Bank Loans in AA by #	85.00	15.00	0.00	100.00
% of Bank Loans in AA by \$	88.04	11.96	0.00	100.00

*Source: 2010 U.S. Census data; Loan sample*

The distribution of consumer loans to households of different income levels meets the standards for satisfactory performance in 2011. Twenty percent of AA households were low-income in 2011. Five percent of consumer loans were to low-income households. Seventeen percent of AA households were moderate-income in 2011. Forty-five percent of consumer loans were to moderate-income households.

Table 9A includes the data used to evaluate the borrower distribution of the bank's consumer loans.

<b>Table 9A - Borrower Distribution of Consumer Loans in Non-MSA AA (2011)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	20.49	5.00	17.24	45.00	20.48	25.00	41.79	25.00

Source: 2000 U.S. Census data; Loan sample

The distribution of consumer loans to households of different income levels exceeds the standards for satisfactory performance in 2012-2013. Twenty-three percent of AA households were low-income in 2013. Fifty percent of consumer loans were to low-income households. Sixteen percent of AA households were moderate-income in 2013. Twenty percent of consumer loans were to moderate-income households.

Table 9B includes the data used to evaluate the borrower distribution of the bank's consumer loans.

<b>Table 9B - Borrower Distribution of Consumer Loans in Non-MSA AA (2012-2013)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	22.56	50.00	16.33	20.00	19.68	15.00	41.43	15.00

Source: 2010 U.S. Census data; Loan sample

### **Geographic Distribution of Loans**

There are no low- or moderate-income CTs in the Non-MSA AA. A geographic analysis of this AA would not be meaningful.

### **Responses to Complaints**

Neither the bank nor the OCC received any complaints related to the bank's CRA performance in the Non-MSA AA.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Iowa is rated Satisfactory. CD activities demonstrate adequate responsiveness to CD needs based on the limited CD opportunities in the AA. There are no low-, moderate-, or distressed middle-income

CTs in the AA. Additionally, the AA is rural in nature and does not offer many of the opportunities for CD participation that a metropolitan area does.

CD loans and investments total \$218 thousand. Management provided service hours to four organizations in the MSA during the evaluation period.

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

Management made five CD loans totaling \$142 thousand in the Non-MSA AA during the evaluation period. The CD loans provided funding to an organization supporting economic development and funding for affordable housing in the AA.

Management made five CD loans totaling \$1.2 million in Iowa, but outside the AA, during the evaluation period. The CD loans provided funding to organizations providing community services to low- and moderate-income individuals.

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

Management made 19 CD investments totaling \$76 thousand in the Non-MSA AA during the evaluation period. Eighteen of the investments were donations to organizations supporting economic development and providing community services to low- and moderate-income individuals. One bond supporting affordable housing for low- and moderate-income individuals in the AA was purchased.

Management made two CD investments totaling \$88 thousand in Iowa, but outside the AA, during the evaluation period. A substantial majority of these investments was a bond supporting affordable housing for low- and moderate-income individuals.

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

Management provided service hours to four qualified organizations in the AA during the evaluation period. Examples of CD services provided by management include:

- One employee serves on the Board of Directors of multiple organizations that support economic development for small businesses in the AA.
- Several employees provide services to an economic development organization that supports small businesses in the AA.

### **Responsiveness to Community Development Needs**

Management's CD activities represent good responsiveness to CD needs in the MSA. A community contact identified small farm loans and affordable housing as the primary CD needs of the AA. One-hundred percent of the CD loans, 82 percent of CD investments, and 75 percent of organizations served by management were responsive to these needs.

## 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 metropolitan and nonmetropolitan areas 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”).

<b>Time Period Reviewed</b>	Lending Test: 1/1/2011 to 9/30/2013 Community Development Test: 1/20/2011 to 2/3/2014	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The Security National Bank of Sioux City, Iowa (SNB) Sioux City, Iowa	Home mortgage loans, small loans to businesses, small loans to farms, consumer loans, and CD loans, investments, and services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate lending products were reviewed.	Not applicable.	Not applicable.
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Sioux City IA-NE-SD Multistate MSA #43580	Full-Scope	Metropolitan AA including Woodbury, Dakota, and Union counties.
State of Iowa Non-MSA AA	Full-Scope	Nonmetropolitan AA including Monona and Plymouth counties.

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
The Security National Bank of Sioux City, Iowa	Satisfactory	Satisfactory	Satisfactory
Sioux City IA-NE-SD Multistate MSA #43580	Satisfactory	Satisfactory	Satisfactory
State of Iowa	Satisfactory	Satisfactory	Satisfactory