



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 20, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security National Bank of Omaha
Charter Number 15379**

**1120 South 101st Street
Omaha, Nebraska 68124**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #110
Omaha, Nebraska 68154**

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.

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of the community.

This document is an evaluation of the CRA performance of Security National Bank of Omaha (SNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 31, 2005. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

The lending test is rated: Satisfactory

- SNB's average loan-to-deposit ratio reasonably compares to other similarly situated institutions.
- A substantial majority of the bank's primary loan products are within the designated assessment area (AA).
- SNB's record of lending to businesses of different sizes and individual borrowers of different income levels is reasonable.
- The geographic distribution of loans within the AA is reasonable.
- There were no complaints about the bank's performance in helping to meet the credit needs of the AA during the evaluation period.

The community development test is rated: Satisfactory

- The bank has originated a high level of community development loans during the evaluation period.
- CRA investments in the form of cash donations to various community organizations serving community development purposes are at a satisfactory level.
- SNB provides excellent responsiveness to community development services.

SCOPE OF EXAMINATION

This CRA evaluation was conducted using the intermediate small bank performance evaluation standards. This evaluation draws conclusions on SNB's performance under the lending test and the community development test. The evaluation period considered is May 13, 2002 to December 31, 2005.

Initial analysis of the bank's lending activities by dollar volume identified business lending as the bank's primary lending focus, followed by residential real estate lending. This CRA

evaluation focused on annually collected loan data for both of these lending categories. To verify the data, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) and Small Business Loan reports. Our sampling found these reports reliable; no significant errors in the data collected were identified. Conclusions on the bank's lending test performance are based on data from January 1, 2004 to December 31, 2005.

The community development test focused on SNB's community development lending, investments, and services since the last CRA Examination. Therefore, the evaluation period was May 13, 2002 to December 31, 2005. The testing included reviewing loan files and documentation provided by the bank.

Examiners interviewed one community contact and reviewed documentation on three other recent community contacts conducted in connection with CRA examinations at other financial institutions. These contacts primarily promote economic development and typically focus on small business and low- or moderate-income individuals. The contacts indicated that area banks are meeting the credit needs of the community, and provide time and financial resources to many community organizations and projects. The contacts identified affordable housing and small business lending as area credit needs. SNB offers products that fit these needs. Tables found later in this document will outline the bank's lending performance to small businesses and low- and moderate-income borrowers to address the affordable housing need.

DESCRIPTION OF INSTITUTION

SNB is a full-service financial institution in Omaha, Nebraska. Security National Corporation (SNC) owns 100% of the bank. SNC is a one-bank holding company headquartered in Omaha, Nebraska. In 2004 SNB acquired Kirkpatrick Pettis Trust Company. The addition of a trust department further expanded the services available to consumers, but will likely have a minimal impact on low- or moderate-income individuals. There were no additional acquisition or merger activities during the evaluation period.

The bank offers a full range of credit products within its AA including commercial, real estate, and consumer loan products. As of December 31, 2005, the bank had 12 branch locations and 51 automated teller machines (ATMs) located within the AA. With the addition of the South Omaha branch in 2005, SNB now has three branch locations located in moderate-income census tracts. There are no known legal, financial, or other impediments that hamper the bank's ability to help meet the AA credit needs.

As of December 31, 2005, SNB had total assets of \$486 million and tier 1 capital of \$42 million. The bank's loan-to-deposit ratio was 86% and net loans represented 75% of total assets. The bank's primary focus remains business lending. By dollar amount, the loan portfolio consisted of 59% business loans, 22% residential real estate loans, 9% consumer loans, and 10% other loans.

SNB received a satisfactory rating under the large bank process at the last CRA examination dated May 13, 2002.

DESCRIPTION OF DOUGLAS AND SARPY COUNTY

The AA designated by SNB includes all of Douglas and Sarpy County in Nebraska. These counties are within the Omaha Metropolitan Statistical Area (MSA). The Omaha MSA consists of eight counties. SNB selected Douglas and Sarpy County because of the proximity to SNB branch locations. The remaining counties within the MSA were not included, as SNB can only reasonably serve areas in proximity to existing branch locations. Several other financial institutions serve the remaining areas of the Omaha MSA. The AA includes 7 low-income census tracts, 46 moderate-income tracts, 77 middle-income tracts, and 50 upper-income tracts as outlined in the 2000 U.S. Census data. The majority of the low- and moderate-income tracts are located in the eastern portion of the city of Omaha. The bank did not arbitrarily exclude any low- or moderate-income geographies.

Competition from financial institutions within the AA is strong. The AA is served by a total of 34 FDIC insured financial institutions operating out of 212 offices. In addition, there are several credit unions and mortgage companies operating within the Omaha market. Each year the FDIC completes a Deposit Market Share Analysis. The June 30, 2005 analysis indicates that over 86% of the deposit market share is concentrated in eight financial institutions. The deposit market share of these institutions ranges from 36.7% to 3.2%. SNB was identified as having the eighth largest deposit market share at 3.2 %.

The economies in Douglas and Sarpy County are diverse. No one employer dominates the market. The primary employment sectors are the services industry, retail, finance/insurance/real estate, healthcare, and construction. Based on U.S. Census data, approximately 8% of the households in the AA live below the poverty level, making it more difficult for these households to qualify for traditional mortgage financing. Housing stock in the AA consists of 61% owner occupied housing and 34% rental occupied housing with a 5% vacancy rate. The Housing and Urban Development updated Omaha MSA median family income for 2005 was \$64,550

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the lending test is rated satisfactory. The following narratives and tables support our assessment of the bank's performance.

Loan-to-Deposit Ratio

SNB's loan-to-deposit ratio reasonably compares to similarly situated financial institutions that operate within the Omaha MSA. SNB's average loan-to-deposit ratio over the last fourteen quarters was 87.3%. The average loan-to-deposit ratio of the seven other similarly situated institutions operating in Douglas and Sarpy County was 93.2%, with a range of 84.6% to 100.1%

Lending in Assessment Area

SNB’s record of lending within the AA is outstanding. Loan origination information from January 1, 2004 to December 31, 2005 was used for the assessment of lending within the AA. SNB originated 88.9% by number and dollar volume of its primary loan products within the AA. Table 1 outlines the results of the bank’s lending within the AA.

Table 1 - Lending in Douglas and Sarpy County										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate ¹	458	88.9	57	11.1	515	37,078	83.1	7,517	16.9	44,595
Commercial ²	917	88.9	114	11.1	1,031	144,041	90.5	15,185	9.5	159,226
Totals	1,375	88.9	171	11.1	1,546	181,119	88.9	22,702	11.1	203,821

Source: ¹ Data reported under HMDA.
² Origination information maintained by bank.

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

SNB’s level of lending to businesses of different sizes and to borrowers of different income levels is satisfactory.

Lending to Residential Real Estate Borrowers of Different Income Levels

SNB’s record of lending to borrowers of different incomes is reasonable. The information in Table 2A shows the bank’s performance compared to the percentage of families in each income category within the AA. The table indicates that the percentage of loans to low- or moderate-income borrowers is slightly lower than the demographics. However, the 2005 average sales price for a single-family home in Omaha was \$176,000 according to information obtained from the Omaha Area Board of Realtors.

Using the 2005 average home sales price, traditional underwriting criteria, and the current interest rate environment, low-and moderate-income families generally have a more difficult time qualifying for residential mortgage loans of this size. Additional information obtained about the Omaha area indicated there is limited availability of affordable housing. Only 21% of the homes sold using the Multiple Listing Service in 2005 were under \$100,000.

SNB has undertaken additional efforts to address the housing needs of low- and moderate-income borrowers. SNB is a participating member of Omaha 100, which targets low-income housing. The involvement in Omaha 100 demonstrates the bank’s desire to provide housing opportunities to low- and moderate-income families. This organization originated 21 loans in 2005 and 14 loans in 2004. SNB also works to provide financing to low- and moderate-income borrowers through the use of government mortgage loan products such as VA, FHA, and NIFA. In addition, the bank is now participating in Fannie Mae’s “My Community Mortgage Program,” which is designed to provide a flexible mortgage product to low- and moderate-income

borrowers. Since joining the program in 2004, SNB has originated 13 loans under this program.

Table 2A – Borrower Distribution of Residential Real Estate Loans in Douglas and Sarpy County								
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
Purchase	17.0	10.2	18.4	8.0	24.0	9.1	40.6	72.7
Home Improvement	17.0	12.7	18.4	13.3	24.0	22.0	40.6	52.0
Refinance	17.0	7.7	18.4	16.4	24.0	15.0	40.6	60.9

Source: Data reported under HMDA and 2000 U.S. Census data.

Lending to Businesses of Different Sizes

SNB’s lending activity to businesses of different sizes is reasonable. The volume of lending by number of loans approximates the percentage of AA businesses with revenues under \$1 million. In the last two years, the bank has originated 529 loans to AA businesses with revenues less than \$1 million. Greater emphasis is placed on the data by number of loans as opposed to dollar volume due to the fact that large businesses tend to have larger loan needs. Table 2B provides additional detail on how SNB compares to the area business demographics.

Table 2B - Borrower Distribution of Loans to Businesses in Douglas and Sarpy County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.2	7.9	28.9	100%
% of Bank Loans in AA by #	57.6	42.4	0.0	100%
% of Bank Loans in AA by \$	37.9	62.1	0.0	100%

Source: Data maintained for small business loans and 2005 Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of the primary products reflects good penetration throughout the designated AA.

Geographic Distribution of Residential Real Estate Loans

SNB had good residential loan penetration throughout the different census tract income categories. Table 3A compares the bank’s performance to the distribution of owner occupied housing within each census tract income category from 2004 through 2005. The AA consists of 7 low-income, 46 moderate-income, 77 middle-income, and 50 upper-income census tracts. SNB’s activity in 2004 and 2005 closely reflects area demographics. And for home purchase and home improvement activity, the bank’s percentages clearly exceed the demographics in the moderate-income tracts. The limited activity in low-income census tracts for home improvement

and refinance loans is mitigated by the fact that only 1.3% of the owner occupied housing for the AA is located within the seven low-income census tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Purchase	1.3	1.1	18.6	23.9	46.7	36.4	33.4	38.6
Home Improvement	1.3	0	18.6	22.7	46.7	42.0	33.4	35.3
Refinance	1.3	0	18.6	15.9	46.7	46.4	33.4	37.7

Source: Data reported under HMDA and 2000 U.S. Census data.

Geographic Distribution of Business Loans

The bank's record of lending to businesses in different geographies within the AA is reasonable. Table 3B outlines the bank's performance for loans originated in 2004 and 2005. SNB shows good loan penetration throughout all census tract income levels.

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
Commercial	2.6	1.0	19.9	18.9	47.3	49.5	30.2	30.6

Source: Data maintained for small business loans and 2005 Dunn and Bradstreet data

Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period.

Community Development Test

The bank's performance under the community development test is rated satisfactory. The following narratives support our assessment of the bank's performance.

Community Development Lending

The volume of SNB's community development loans demonstrates excellent responsiveness to opportunities in the AA. The bank originated 40 community development qualified loans totaling over \$24.3 million from May 13, 2002 to December 31, 2005. The largest portion of the community development lending is attributable to the bank's funding of several qualified

affordable housing multi-family units. The bank originated 38 multi-family loans totaling over \$17 million during the assessment period. These loans were primarily in low- and moderate-income census tracts, and all the properties had rental rates considerably lower than the Omaha average monthly rental rate of \$557. Multi-family lending helps to address the affordable housing need as identified by community contacts. In addition to multi-family loans, the bank originated two other qualifying community development loans. One loan funded the development of a large commercial property within the Omaha Enterprise Zone, and the second loan was to a business located in a moderate-income census tract that provides jobs for several low- and moderate-income individuals. Both of these loans had a revitalizing and stabilizing affect within low- and moderate-income census tract areas.

In addition, SNB is a member of Omaha 100. This organization provides real estate financing and assistance to low-income individuals in Omaha. Omaha 100 has funded 76 loans totaling over \$4.6 million since May 13, 2002. SNB funded \$230,000 of the \$4.6 million.

SNB also originated 82 short-term one-to-four family loans to rehabilitate and renovate existing homes within the AA to various individuals and entities totaling over \$5 million. This activity has helped to improve housing within the AA, but does not qualify as community development lending under the definitions of CRA.

Community Development Investments

The bank's community development investment activity is reasonable. Community development investments were concentrated in donations to organizations whose primary purposes were to provide community development services to low- and moderate-income individuals within the AA. SNB provided \$439,369 in qualifying donations to 78 organizations between May 13, 2002 and December 31, 2005.

Community Development Services

SNB's provides excellent responsiveness to community development services. In May 2005, SNB opened a branch in a moderate-income tract located in South Omaha to address an identified banking need in that section of the AA. The branch is located in an area designated by the City of Omaha as blighted and in need of revitalization. SNB now has 12 branch locations with 3 branches and 15 ATMs located in low- or moderate-income census tracts. In addition, several of SNB's other branches and ATMs are located within reasonable proximity to low- and moderate-income areas.

SNB staff and management are actively involved in 31 community organizations that directly serve low- and moderate-income individuals or geographies. Qualifying organizations have a focus of affordable housing, community service, or promoting economic development to revitalize and stabilize specific geographies. SNB personnel's involvement in these organizations is focused around providing technical and financial expertise. SNB also provides its conference center to several of these organizations at no cost. It is estimated that the value of providing the conference center to these groups was over \$32,000 during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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