



SMALL BANK

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

PUBLIC DISCLOSURE

December 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security National Bank of Durand
Charter Number 14095**

**212 West Prospect Street
Durand, WI 54736**

**Comptroller of the Currency
Minneapolis South Field Office
920 Second Avenue South Suite 800
Minneapolis, MN 55402**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans by number within its assessment area.
- The bank has an excellent distribution of credit among agricultural borrowers of different sizes and a reasonable distribution of credit among businesses of different sizes.

DESCRIPTION OF INSTITUTION

Security National Bank of Durand (SNB) was a \$197 million institution as of December 31, 2002. SNB has their office located in Durand, Wisconsin. They do not have any branch locations. The bank offers telephone banking to its customers. This service provides customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts. SNB has one withdrawal-only ATM located at a gas station/convenience store in Durand.

SNB offers a wide range of loan and deposit products which are designed to meet the community's needs. As of December 31, 2002, the bank's \$92 million loan portfolio consisted of 44% commercial loans, 33% agricultural loans, 14% residential real estate loans and 9% consumer loans. As of December 31, 2002, net loans made up 46% of total assets. The bank's primary lending focus is agricultural and commercial loans.

Security Financial Services Corporation is a one-bank holding company that owns Security National Bank. As of December 31, 2002, Security Financial Services Corporation had assets of \$197 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

There are no financial, legal or other factors that impede SNB's ability to meet its CRA obligations. The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated March 15, 1999.

DESCRIPTION OF ASSESSMENT AREA

SNB's assessment area (AA) includes all of Pepin County, the southern two Block Numbering Areas (BNAs) of Dunn County and the northern three BNAs of Buffalo County, all in Wisconsin. Based on 1990 census data, all BNAs included in SNB's AA are middle-income. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 1990 census information, 19.47% of the families within this AA are low income, 20.45% moderate income, 25.98% middle income and 34.10% upper income. The 1990 census median family income for the AA was \$28,336. Based on the Department of Housing and Urban

Development's 2002 estimate, the updated median family income for the AA is \$50,800.

The 1990 census data indicates that 1,050 households (12%) are below the poverty level. The 2000 census indicates that amount has decreased to 789 households (8%). The Census Bureau indicated that in 1999, 8.7% of persons in Wisconsin were below the poverty level, compared to 12.4% nation-wide. The same data indicated that 9.1%, 12.9% and 7.5% of persons in Pepin, Dunn and Buffalo Counties, respectively, are below poverty level.

The Census Bureau indicates the population of the AA has increased only 4.4% from 1990 to 2000. This slow increase in population is partially due to the distance from metropolitan areas and employment opportunities. The average travel time to work in 2000 for Pepin County persons was 26 minutes. The entire population of Pepin County itself has increased only 106 persons in the past ten years to its 2000 census population of 7,213. The current population of the City of Durand is 1,968 persons. 2000 census information confirms the rural nature of Pepin County listing only 31 persons per square mile in Pepin County compared to 98.8 persons per square mile in the State of Wisconsin. Dunn County has 46.8 persons per square mile and Buffalo County has only 20.2 persons per square mile.

The median value of owner occupied housing units in 2000 per census data was \$79,200 in Pepin County, \$92,900 in Dunn County and \$78,600 in Buffalo County. The median value of owner occupied housing units in 2000 for the State of Wisconsin was \$112,200. In SNB's AA the 1990 census data indicated 69% of the housing units were owner occupied. Per 2000 census data, this number has increased to 71%.

Pursuant to the Wisconsin Department of Workforce Development, unemployment levels in the State of Wisconsin as of December 31, 2003 were at 4.8%, compared to 6% in Pepin County, 4.1% in Dunn County and 5.3% in Buffalo County. The nationwide unemployment rate as of December 31, 2003 was 5.4%. Employment opportunities in SNB's AA are limited. The AA's largest employment sector is the ag industry which represents 33.52% of businesses in the AA. The ag industry is followed by services representing 22.61% of businesses and retail trade representing 13.27% of the businesses in the AA. Manufacturing represents only 3.04% of the businesses in the AA. Employers employing one to four persons make up 75.76% of the businesses in the AA. Our community contact indicated that employment opportunities are an area of concern and, although the city has made efforts to obtain state funding to attract new businesses to the area, they have not been successful.

There are nine financial institutions with a presence in SNB's AA. SNB is ranked 1st of those 9 banks in deposit market share with 34.23% of deposits according to 2001 deposit information obtained from the Federal Deposit Insurance Corporation. The City of Durand is home to only one other financial institution, which is a branch of a \$1.9 billion financial institution.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 16 quarters since the previous CRA exam is 63.20%. Similarly situated banks with a presence in the AA are those with total assets between \$100 and \$500 million. Quarterly average loan-to-deposit ratios for similarly situated banks range from 63.20% to 102.29% over the same time frame. The loan-to-deposit ratio does not take into account loans sold by banks on the secondary market, which for SNB totaled \$11 million in 2003.

Institution	Assets (as of 12/31/02)	Average Loan-to-Deposit Ratio 1Q99 – 4Q02
SECURITY NATIONAL BANK, Durand, WI	\$ 197 million	63.20
FIRST BANK AND TRUST, Menomonie, WI	\$ 101 million	64.41
BREMER BANK, Menomonie, WI	\$ 497 million	74.50
UNITED BANK, branch in Mondovi, WI	\$ 138 million	84.92
BANK OF ALMA, branch in Pepin, WI	\$ 129 million	102.29

Lending in Assessment Area

Based on a sample of 20 agricultural loans and 20 commercial loans, SNB originates a majority of its loans to borrowers by number located within its defined AA. The sample determined that of loans originated from January, 2001 through December, 2002, 72.50% by number were made to ag and commercial customers located within the bank's AA. The dollar amount of loans made within the assessment area is low, but is consistent with the bank's commercial loan portfolio which, as of December 31, 2002, included a material number of commercial loans as purchased participations. As of that date, purchased participations represented 34.87% of their total loan portfolio. The overall number of these loan participations adversely affects the bank's overall lending ratio within its AA; however, the bank is using these purchased loans to facilitate loan growth for the bank as the number of commercial lending opportunities within its AA is limited. The following table shows loans originated inside and outside their AA by number and dollar volume:

	NUMBER OF LOANS				DOLLAR OF LOANS			
	Inside		Outside		Inside		Outside	
Loan Type	#	%	#	%	\$	%	\$	%
Agricultural Loans	17	85	3	15	879,766	97.75	20,228	2.25
Commercial Loans	12	60	8	40	546,109	17.44	2,585,896	82.56
Totals:	29	72.50%	11	27.50%	\$1,425,875	35.36%	\$2,606,124	64.64%

Lending to Agricultural Borrowers and Businesses of Different Revenue Sizes

SNB has an excellent distribution of credit among agricultural borrowers and a reasonable

distribution of credit among businesses of different sizes.

The majority of the agricultural customers in SNB's AA have gross annual revenues of less than \$1 million. This is consistent with SNB's lending to agricultural customers where 100% of the loans sampled represented gross annual revenues of less than \$1 million. SNB's commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to more than a million dollars. We sampled 20 agricultural loan files and 20 commercial loan files. The results of that random sample are represented in the following tables.

Borrower Distribution of Loans to Agricultural Borrowers		
Ag Revenues	< \$1,000,000	> \$1,000,000
% of AA Agriculture Borrowers*	96.98%	2.68%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

*per 2002 Business Demographic Data;
.34% of ag borrowers did not report revenues

Borrower Distribution of Loans to Business		
Business Revenues	< \$1,000,000	> \$1,000,000
% of AA Businesses*	80.63%	5.75%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	50.28%	49.72%

*per 2002 Business Demographic Data;
13.62% of businesses did not report revenues

Geographic Distribution of Loans

The geographic distribution of loans does not provide a meaningful analysis as none of the BNAs in the bank's assessment area are defined as low or moderate-income BNAs.

Responses to Complaints

SNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.