



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 31, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Security National Bank
Charter Number 13182**

**202 East 2nd Street
P.O. Box 278
Laurel, Nebraska 68745**

**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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>1</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>1</i>
<i>DESCRIPTION OF ASSESSMENT AREA.....</i>	<i>2</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</i>	<i>2</i>

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

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

- SNB's lending level is excellent, given the institution's size, financial condition, and the assessment area's credit needs.
- A significant majority of the bank's loans are within the assessment area.
- Lending to borrowers of different income levels and farms of different sizes is excellent.
- SNB offers several different flexible lending programs to assist low- and moderate-income borrowers.
- Bank employees serve in leadership roles within the community.

DESCRIPTION OF INSTITUTION

SNB is a \$95 million bank located in Cedar County in northeastern Nebraska. The bank is 100% owned by First Laurel Security Corporation, a \$95 million, one-bank holding company located in Laurel, Nebraska. SNB's main office is located in Laurel, Nebraska. The bank also operates three full service branches in Allen, Hartington, and Osmond, Nebraska. The bank does not have any deposit-taking automated teller machines. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

SNB offers traditional loan and deposit products. As of September 30, 2002, the bank's loan portfolio totaled 63% of total assets. The loan portfolio consisted of 60% agricultural, 22% commercial, 11% residential real estate, and 7% consumer loans based on outstanding dollars. The bank's primary credit products are agricultural and consumer loans based on the number and dollar amount of originations.

SNB has no legal or financial impediments, which prevent it from fulfilling its obligation under the CRA. SNB was rated "Outstanding Record of Meeting Community Credit Needs" at the last CRA examination dated February 3, 1997.

DESCRIPTION OF ASSESSMENT AREA

SNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA consists of six contiguous block numbering areas (BNAs). These are BNAs 9771 and 9772 in Cedar County, BNAs 9776 and 9777 in Dixon County, and BNAs 9791 and 9792 in Pierce County. All six (100%) BNAs are middle-income geographies. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AA.

According to the 1990 U.S. Census, the total population of the AA is 24,101. The 1990 U.S. Census estimated 18% of families in the AA were low-income, 22% moderate-income, 29% middle-income, and 31% upper-income. Fifteen percent of the AA households are below the poverty level. The 2002 weighted average updated median family income is \$45,800 for non-metropolitan statistical areas in Nebraska. The median housing value in the AA is \$30,837 and 68% of housing is owner-occupied.

The local economy is stable. Agriculture, local schools, local government, and some light industry provide the main employment sources in the area. There are nine other financial institutions with branches within Cedar, Dixon, and Pierce counties. These institutions range in size from approximately \$26 million to \$218 million in total assets. These institutions, along with the Farm Services Administration, provide the primary competition to SNB.

Examiners made two community contacts with city officials during the CRA examination. Community contacts revealed that agricultural and residential real estate loans are the primary credit needs within the community. SNB offers and originates these types of loans. Both community contacts felt that the credit needs of the community were being met.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SNB's average lending level is excellent. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. SNB's September 30, 2002 net LTD ratio was 77%. SNB's quarterly average LTD ratio for the 23 quarters ending September 30, 2002 was also 77%. The bank's average LTD ratio exceeds the average LTD ratio of six similarly situated banks in the AA. The six similarly situated banks have a 23-quarter average LTD ratio of 67%, and a range of 53% to 88%. All banks with their primary locations within SNB's AA were used as similarly situated banks for comparison. The similarly situated banks range in size from \$26 million to \$218 million in total assets.

Lending in Assessment Area

SNB originates a significant majority of its loans within the AA. We relied upon bank reports to determine if the number and dollar amount of outstanding loans were within the bank's AA. We verified the accuracy of bank reports by testing a sample of loans. We found that 84% of outstanding loans, by number and dollar volume, were made in the AA.

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

SNB has an excellent record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$1,100,818 in loan volume to determine the bank's lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2001 and December 31, 2002.

A significant majority of the bank's lending was to borrowers with small- to moderate-sized operations, those with less than \$250,000 in gross annual revenue. Loans to small- and moderate-sized operations were 90% by number and 89% by dollar volume. The bank's lending compared favorably to the 1997 Census of Agricultural data, which shows that 85% of AA farms had annual revenues less than \$250,000.

The following table shows the breakdown of loans to farms as compared to the AA demographics.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of Farms in AA
< \$99,999	9	45%	\$159,318	15%	63%
\$100,000 - \$249,999	9	45%	\$816,500	74%	22%
\$250,000 - \$499,999	1	5%	\$25,000	2%	10%
> \$500,000	1	5%	\$100,000	9%	5%
Total	20	100%	\$1,100,818	100%	100%

SNB has an excellent record of lending to individuals of different income levels. We reviewed a sample of 20 consumer loans totaling \$93,402 in loan volume to determine the bank's lending to individuals of different incomes. All of the loans in the sample were located in the AA and were originated between January 1, 2001 and December 31, 2002.

SNB originated 60% of its loans by number, and 51% by volume, to low- and moderate-income (LMI) borrowers. These percentages exceed the 42% of AA households with low or moderate incomes.

The following table shows the breakdown of loans to individuals as compared to the AA demographics.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Households in AA
Low	6	30%	\$21,049	23%	24%
Moderate	6	30%	\$26,477	28%	18%
Middle	4	20%	\$26,376	28%	22%
Upper	4	20%	\$19,500	21%	36%
Total	20	100%	\$93,402	100%	100%

Geographic Distribution of Loans

All six BNAs within the AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

Community Development Loans

The bank originated 12 community development loans during the evaluation period. Two lines-of-credit for \$80,000 were used to finance the construction of a childcare facility in the AA. The childcare facility benefits LMI individuals by using income restriction guidelines. The other 10 community development loans totaled \$751,000. These loans were used to rehabilitate homes in the AA with the assistance of a local housing group.

Community Development Services

Four bank officers served in leadership roles within the community. Officers serve as President and Board members of two local development corporations. The development corporation provides affordable lots for residential development and works with the local cities on grant programs for expanding businesses in the city. Officers also serve as President and Board member for two local housing groups. These housing groups help develop LMI housing in northeast Nebraska.

Other CRA Activities

During the evaluation period, SNB participated in flexible loan programs to help meet the credit needs of LMI borrowers. In 2001, SNB began participating in the United States Department of Agriculture's Rural Housing Loan program. This program provides 100% financing to LMI borrowers. SNB originated 37 loans under this program totaling \$1.9 million.

The bank also participates in loan programs offered through the Nebraska Investment Finance Authority (NIFA). NIFA's loan programs provided financing to qualified LMI borrowers throughout Nebraska. The programs included reduced interest rates and lower down payment requirements than traditional mortgage loan programs. During 1999, 2000, 2001, and 2002, SNB originated 60 NIFA loans totaling \$3 million.

In 2001, SNB began participating in the Federal Home Loan Bank of Topeka's Rural First-Time Homebuyer Program (RFHP). This program provided up to \$5,000 in grant assistance to LMI, first-time homebuyers for down payment and closing cost assistance. The bank originated 16 loans totaling \$855,000 under this program. Borrowers also received \$70,000 in grants under this program.

Responses to Complaints

The Office of the Comptroller of Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated February 3, 1997.

Fair Lending Review

An analysis of 1999 through 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.