



## **PUBLIC DISCLOSURE**

September 29, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Security National Bank  
Charter Number 13650

1 West Broadway  
Witt, IL 62094

Office of the Comptroller of the Currency

St. Louis Field Office  
500 North Broadway, Suite 1700  
St. Louis, MO 63102

**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 Outstanding.**

**The major factors that support Security National Bank's (SNB) rating include:**

- **SNB's distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area (AA).**
- **The bank originated a substantial majority of the loans within the AA.**
- **The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and competition.**

### **SCOPE OF EXAMINATION**

This Performance Evaluation assesses SNB's record of meeting the credit needs of the communities in which it operates. We evaluated the bank under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period for this review is from January 1, 2013 through June 30, 2015.

The lending test is based on the bank's primary loan products. An analysis of the number and dollar volume of loan origination information supplied by the bank identified the bank's primary loan products for this evaluation period to be business loans and consumer loans. SNB originated 1,745 loans totaling \$60 million from January 1, 2013 through June 20, 2015. There has been no change in SNB's business strategy since the previous CRA examination in September 2009.

As loan originations for 2013, 2014, and 2015 are representative of the evaluation period, our analysis utilized a sample of business loans and consumer loans originated between January 1, 2013, and June 30, 2015. Changes in census tracts since the last examination based on 2010 census data did not affect our loan sample. In 2013, 2014, and 2015, the AA had the same seven census tracts designated as middle-income, with no low- or moderate-income census tracts in the bank's AA. Therefore, we performed only one analysis for 2013, 2014, and 2015 combined data.

The bank is not located in a Metropolitan Statistical Area (MSA) and is not subject to the requirements of the Home Mortgage Disclosure Act. Based on its asset size, the bank is not required to maintain revenue information on commercial loans or income information on consumer loans. The bank also does not collect census tract data on their loans. Therefore, for our analysis of loans in and out of the AA, we reviewed a random sample of 20 business loans and 20 consumer loans. For our borrower distribution analysis, we reviewed a sample of 20 business loans and 20 consumer loans made within the AA. We did not perform a geographic distribution analysis during this evaluation because all census tracts in the bank's AA are middle-income and an analysis would not be meaningful. In addition to our loan sample, we utilized 2010 U.S.

Census data, updated FFIEC Median Family Income, 2014 Dun & Bradstreet Business Geo-demographic Data, and FDIC deposit-market share data as of June 30, 2015, in assessing the bank's lending performance. There is no affiliate activity considered in this evaluation.

## DESCRIPTION OF INSTITUTION

SNB is a \$76 million intrastate financial institution located along Illinois Highway 16 in Montgomery County, Illinois. The bank is located approximately 55 miles southwest of Springfield, Illinois. SNB has two full-service offices with drive-up facilities in Coffeen and Witt, Illinois. It also has two additional drive-up facilities in Fillmore and Irving, Illinois. In November and December 2009, management closed their five non-depository ATMs located in Montgomery County. In lieu of these ATMs, SNB entered into a network of banks that provide free ATM use to their customers. These ATMs are located in five area convenience stores. Management has not opened or closed any branches during this evaluation period.

The bank is wholly owned by Security Bancshares, Inc., a one-bank holding company. As of June 30, 2015, the holding company had total assets of \$14 million. SNB's business strategy is "To be recognized by clients as a safe, sound institution possessing impeccable integrity and superb service quality, while providing consistently excellent returns on investments to shareholders, and to be a well-managed, highly compliant, and financially strong bank."

The bank offers a full range of retail and commercial banking products normally associated with a community bank. This includes commercial, mortgage, agricultural, and consumer loans, as well as deposit accounts, savings accounts, and certificates of deposit. Gross loans were \$48 million as of June 30, 2015, and equaled 74 percent of total assets. The following represents the bank's loan and lease portfolio mix as of June 30, 2015:

<b>Loan Portfolio Summary by Loan Product, as of June 30, 2015</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	41%
Ag Loans	35%
Commercial Loans	14%
Consumer Loans	10%

*Source: June 30, 2015 Call Report Data*

Tier one capital totals \$8 million as of June 30, 2015. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its AA. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. The bank was rated "Satisfactory" at its last CRA examination on July 20, 2009.

## DESCRIPTION OF ASSESSMENT AREA

The AA consists of four census tracts (#s 9573, 9574, 9579, and 9580) in Montgomery County, one census tract (# 9590) in Christian County, and two census tracts (#s 9507 and 9508) in Fayette County. Montgomery, Christian, and Fayette Counties are not located in an MSA. These contiguous census tracts are all middle-income designations. Due to the size of the bank and location of banking offices, it is reasonable that the AA does not consist of whole counties. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

SNB's AA was not impacted by 2014 MSA changes. Therefore, we used the information in the following table in our borrower distribution analysis for 2013, 2014, and 2015. The following demographic information for the AA is based on 2010 census data:

Demographic Information for the AA					
	#	% Low	% Mod	% Middle	% Upper
Families by Income Level	7,553	18.96%	18.95%	20.23%	41.86%
Households by Income Level – (owner occupied)	11,194	23.44%	17.71%	17.45%	41.40%
Census Median Family Income (MFI)		\$54,499	Median Housing Value		\$81,599
Median Household Income		\$42,243	Weighted Average of Median Year Built		1961
FFIEC Updated MSA MFI:		<u>2015</u> \$60,100 <u>2014</u> \$58,600 <u>2013</u> \$56,200	Households Below the Poverty Level		12.23%
			<b>2010 Business Data</b>		
Businesses: % of small businesses in the AA		67.21%	Percent of businesses not reporting revenue figures		28.86%

### Economic Data:

The local economy and that of the surrounding area is stable. The local economy, which is driven by agriculture, experienced very good years in 2013 and 2014, and remains healthy into 2015.

Major employers in the AA consist of Graham Correctional Center, Patten Mining, Hillsboro Area Hospital, the local school district, and various local government entities. The December 2014 unemployment rates for Christian, Fayette, and Montgomery Counties (6.6%, 6.6%, and 7.5%, respectively) are higher than the state and national

rates of 5.8% and 5.6% for the same period. County unemployment rates at June 30, 2015 of 5.7% (Christian), 5.6% (Fayette), and 6.6% (Montgomery) have improved. The state and national rates for the same period are 5.9% and 5.3%, respectively.

SNB faces competition from thirty institutions located in Christian, Fayette, and Montgomery Counties, including state and national banks, and larger regional banks. As of June 30, 2015, the bank owned approximately 3.42 percent of the market share, which represents the eleventh largest in the three counties.

During the evaluation period, we performed one community contact with a Montgomery County government official. Our contact stated that local area banks are meeting the needs of the community. This includes providing loan funding, participating in local fundraisers, and making donations for special events. During the past year, we made a community contact with a local economic development corporation in Christian County where small business loans and financial literacy were identified as community needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance under the lending test is excellent. The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. The bank originated a substantial majority of primary loan products within the bank's AA. The distribution of loans reflects excellent penetration among borrowers of different income levels and businesses of different sizes.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. SNB's quarterly average loan-to-deposit ratio for the period September 30, 2009 through June 30, 2015 was 69.24 percent, with a low of 61.36 percent and a high of 75.80 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same period was 57.93 percent with a range from 34.65 percent to 70.45 percent. SNB's average loan-to-deposit ratio is higher than eight of the nine similarly situated banks, which range in asset size from \$20 million to \$86 million. The similarly situated banks utilized for comparison purposes are all community banks located in Christian, Fayette, and Montgomery Counties with up to \$100 million in total assets. SNB's assets at June 30, 2015 were \$76 million.

### **Lending in Assessment Area**

The bank originated a substantial majority of loans within the AA. Based on a random sample of 20 commercial loans and 20 consumer loans originated from January 1, 2013 through June 30, 2015, the bank originated 97 percent of the number of loans and 99 percent of the dollar of loans within the AA. The following table illustrates loans made inside and outside of the bank's AA during the evaluation period:

<b>Lending in the AA</b>										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	20	100%	0	0%	20	\$1,107	100%	\$0	0%	\$1,107
Consumer	19	95%	1	5.00%	20	\$155	96.25%	\$6	3.75%	\$161
Totals	39	97.50%	1	2.50%	40	\$1,262	99.53%	\$6	0.47%	\$1,268

Source: Random sample of 20 commercial loans and 20 consumer loans originated from January 1, 2013 through June 30, 2015.

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

The overall distribution of loans reflects excellent penetration among borrowers of different income levels and businesses of different sizes, given the demographics of the AA. The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. The distribution of business loans reflects excellent penetration among businesses of different sizes.

#### Consumer Loans

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. SNB made 25 percent of the loans sampled to low-income borrowers and an additional 15 percent of loans sampled to moderate-income borrowers. This compares favorably to the percent of low-income households (23 percent) and moderate-income households (18 percent) in the AA. It is important to note that 12.23% of the households in the AA are below poverty level. The following table illustrates the percentage of consumer loan originations in the AA by borrower income level as compared to the percent of AA households by income level:

<b>Borrower Distribution of Consumer Loans within AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	23.44%	25.00%	17.71%	15.00%	17.45%	30.00%	41.40%	30.00%

Sources: Sample of 20 consumer loans originated from January 1, 2013, through June 30, 2015 made within the AA; 2010 U.S. Census data.

#### Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank originated 100 percent of the number of business loans sampled and 100 percent of the dollars of business loans sampled in the AA to small businesses, as compared to 67 percent of small businesses located in the AA. Small

businesses are businesses with gross annual revenues of one million dollars or less. It is important to recognize that some of the businesses that did not report revenues in the demographic data are likely also small businesses. The following table illustrates the borrower distribution of business loan originations in the AA by revenues and by loan size:

<b>Borrower Distribution of Loans to Businesses within AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	67.21%	3.93%	28.86%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

*Source: Sample of 20 business loans originated from January 1, 2013, through June 30, 2015 made within the AA, 2010 census data, and 2014 Business Geo-demographic Data*

### **Geographic Distribution of Loans**

We did not perform a geographic distribution analysis during this examination, as there are no low- to moderate-income census tracts in the bank's AA; therefore, an analysis would not be meaningful.

### **Responses to Complaints**

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

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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.