



PUBLIC DISCLOSURE

August 12, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Jones National Bank and Trust Company of Seward
Charter Number 3060

510 Bradford Street
Seward, NE 68434

Office of the Comptroller of the Currency

13710 FNB Parkway
Suite 110
Omaha, NE 68154-5298

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 Jones National Bank and Trust Company of Seward (Jones Bank) satisfactorily meets the credit needs of its assessment area (AA). This conclusion is based on the following:

- The bank's loan-to-deposit ratio is lower than three similarly situated banks, but it is reasonable considering the competitive local lending environment.
- A majority of Jones Bank's loans are inside its AA.
- The distribution of loans represents a reasonable penetration of farms and businesses of different revenue sizes within its AA.

SCOPE OF EXAMINATION

We evaluated Jones Bank under the Small Bank Examination Procedures, which includes a lending test. The lending test evaluates a bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for Jones Bank covers its performance from February 4, 2008 through August 12, 2013, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

Jones Bank's primary credit products are agriculture and commercial loans. To evaluate the bank's lending performance, we selected a sample of 20 agriculture loans and 20 commercial loans made from January 1, 2010 through December 31, 2011.

DESCRIPTION OF INSTITUTION

Jones Bank is a \$231 million bank located in Seward, Nebraska, occupying three offices. The main office is located at 203 South 6th Street in Seward, but it has been closed for renovation since March 2013. Management moved administrative and lending operations to a temporary office in the Bradford Centre in Seward. Jones Bank operates a drive-up facility on North 6th Street in Seward. The bank takes deposits and conducts lobby transactions at this location. Jones Bank also operates a full-service branch in Milford, Nebraska. The bank operates five automated teller machines: two at the Seward and Milford branches, two near Highway 15 in south Seward at retail stores, and a walk-up automated teller machine at Concordia University. Jones National Corporation is a one-bank holding company and wholly owns Jones Bank.

As of March 31, 2013, Jones Bank's loan portfolio accounted for 59 percent of average total assets. The bank saw a decline in the residential loan portfolio from \$23.2 million as of December 31, 2007 to \$14.9 million as of March 31, 2013. Management will begin selling residential loans to the Federal Home Loan Bank of Topeka's Mortgage Partnership Finance program, in a strategic move to generate additional residential loans. The following table summarizes loans originated and purchased during the evaluation period by dollar and number.

Loan Portfolio Originations				
	Originated Loans by Number		Originated Loans by Dollar	
	Number	Percentage	\$(000)	Percentage
Agricultural Loans	518	32	56,758	53
Consumer Loans	601	37	6,061	6
Commercial Loans	324	21	33,619	32
Residential RE Loans	159	10	9,689	9

Source: Bank Reports

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. There have not been any significant changes to the bank's corporate structure, including merger or acquisition activities, since the previous CRA examination. We rated Jones Bank "Satisfactory" at its last CRA examination dated February 4, 2008.

DESCRIPTION OF ASSESSMENT AREA

In 2003, Seward County became part of the Lincoln Nebraska MSA, which changed the bank's AA. The portions of Saline, Butler, and York Counties, which had previously been part of the bank's AA, could no longer be included. Therefore, the bank's AA includes only Seward County. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The four census tracts in Seward County are middle income. According to the 2010 U.S. Census, the county's population is 16,935. Unemployment is low at 4.3 percent in Seward County (*U.S. Dept. of Labor July 2013*). Management described the city of Seward as a bedroom community of Lincoln, but the health of the local economy is reliant on local farms and businesses. The city includes a university and medical center.

The bank's primary products are agriculture and commercial loans. The business demographic summary (U.S. Census 2000) shows that the majority (84 percent) of businesses are non-farm operations. Farms total 16 percent of total businesses in the area. Most operations, whether farms or not, are small with less than nine employees. Seventy-seven percent of the households in the community receive income from wages or salary.

We made a community contact during this examination. The contact indicated that local bank lending to businesses has improved and is good. The city adopted tax increment financing (TIF), which allowed a portion of the local borrowing need to be met with nonbank sources. Jones Bank has participated in at least three of the six TIF projects, and we consider this to be a satisfactory use of innovative and flexible lending practices.

We also reviewed an earlier community contact from 2011. The contact indicated that local financial institutions were willing to lend for community projects, start-up businesses, and other local businesses. Overall, the community contacts stated the local financial institutions are helping meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Jones Bank’s performance under the lending test is satisfactory. All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is lower than three similarly situated banks but reasonable considering the competitive local lending environment. Five financial institutions or their branches serve Seward County. Jones Bank has a slight competitive edge given that it operates three offices inside the AA, which is more than the four other financial institutions. Jones Bank has a 32 percent deposit market share, which ranks first in the AA. The quarterly average loan-to-deposit ratio since the last CRA examination of Jones Bank is 76 percent, compared to an average of 90 percent for the three similarly situated institutions in the bank’s AA. The primary competitor for agricultural loans is Farm Credit, and for commercial loans, it is one of the three similarly situated banks.

Lending in Assessment Area

The bank originated a substantial majority of its loans inside the AA. A random sample of 40 agricultural and business loans showed eighty-eight percent by number and eighty-seven percent by dollar amount were located within Jones Bank’s AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	17	85	3	15	20	3,160	94	206	6	3,366
Business	18	90	2	10	20	2,587	81	617	19	3,204
Totals	35	88	5	12	40	5,747	87	823	13	6,570

Source: Bank Reports

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

Jones Bank has a reasonable penetration of lending to farms and businesses of different sizes. Ninety-five percent of the loans by number and ninety-five percent of the loans by dollar were originated to farms with gross annual revenues less than \$1 million. This compares reasonably to the demographic comparator of ninety-eight percent of farms in the bank’s AA that reported gross annual revenue of \$1 million or less as

shown in the following table. Revenue information for 0.5 percent of farms was unavailable.

Borrower Distribution of Loans to Farms in the Assessment Area				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98	1.5	0.5	100
% of Bank Loans in AA by #	95	5	0	100
% of Bank Loans in AA by \$	95	5	0	100

Data Source: 2011 Business Geodemographic Data and farm loan data sampled from 2010-2011

Jones Bank originated eighty-five percent of the loans by number to businesses with gross annual revenues less than \$1 million, as shown in the following table. This compares favorably to the demographic comparator of seventy-two percent of businesses in the bank’s AA that reported gross annual revenue of \$1 million or less. Revenue information for twenty-five percent of businesses was unavailable.

By dollar volume, the bank’s performance is significantly lower than the demographic comparator. Our sample included two commercial borrowers with revenues of more than \$1 million, and although these borrowers accounted for only ten percent of the sample by number, their larger loans accounted for forty-nine percent of the sample by dollar. Based on the number of bank loans to businesses of less than \$1 million in revenues, we can conclude that the bank is making a satisfactory number of loans to business borrowers of different sizes.

Borrower Distribution of Loans to Businesses in the Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72	3	25	100
% of Bank Loans in AA by #	85	10	5	100
% of Bank Loans in AA by \$	49	49	2	100

Data Source: 2011 Business Geodemographic Data and business loan data sampled from 2010-2011

Geographic Distribution of Loans

Jones Bank’s AA consists of four middle-income census tracts, and an analysis of geographic distribution would not be meaningful.

Responses to Complaints

The bank has not received any complaints regarding their CRA performance since the last performance evaluation.

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.