



## **PUBLIC DISCLOSURE**

October 29, 2018

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

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

203 South 6th Street  
Seward, Nebraska 68434

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 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, and should not 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.

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**Overall CRA Rating: The institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

- The Jones National Bank and Trust Company's (JNB or bank) loan-to-deposit ratio is reasonable when considering the bank's size, financial condition, and the credit needs of its assessment area (AA).
- Management originates a majority of its loans by number and dollar volume to customers located in the bank's AA.
- The income distribution of loans to farms of different sizes reflects reasonable penetration within the AA.
- The income distribution of loans to businesses of different sizes reflects reasonable penetration within the AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

JNB is located in Seward County and has a main office in Seward, Nebraska, and one branch in Milford, Nebraska. The bank has four automated teller machines (ATMs), with three located in Seward and one in Milford. All four ATMs accept deposits. As of September 30, 2018, JNB's total assets were \$235 million. The bank is 100 percent owned by a one-bank holding company, Jones National Corporation. The bank has one AA, the Seward County AA.

JNB offers traditional loan and deposit products. Net loans and leases as of September 30, 2018, totaled \$148 million, representing 63 percent of total assets. The loan portfolio consists of 49 percent agricultural loans, 30 percent business loans, 12 percent residential real estate loans, seven percent construction and development loans, and two percent consumer loans. JNB's strategy is primarily focused on serving the needs of the local community, concentrating on the agricultural and commercial sectors in the AA. This has resulted in a high dollar volume and number of agricultural loans originated and a high dollar volume of commercial loans. Competition within the AA is high, particularly for agricultural and commercial borrowers within Seward County.

As of the June 30, 2018, FDIC deposit market share report, JNB ranks second in market share with \$194 million in deposits and a 25 percent market share. Since the last CRA exam, the bank closed a branch located a few blocks away from the main branch. The branch was closed to improve efficiency and had no effect on the bank's ability to service the AA's credit needs.

JNB has no legal or financial impediments preventing it from meeting the credit needs of its community. The bank was rated satisfactory at the last CRA examination dated August 12, 2013.

Loan Origination by Loan Type 2015-2016				
Loan Category	#	%	\$ (000)	%
<b>Agricultural Loans</b>	<b>468</b>	<b>35.8%</b>	<b>\$ 62,155</b>	<b>50.8%</b>
<b>Commercial Loans</b>	358	27.4%	<b>\$ 47,245</b>	<b>38.6%</b>
Consumer Loans	407	31.1%	\$ 3,593	2.9%
Residential Loans	74	5.7%	\$ 9,443	7.7%
Total Originations	1,307	100.0%	\$ 122,436	100.0%

Source: Bank records from January 1, 2015 – December 31, 2016

Loan Origination by Loan Type 2017				
Loan Category	#	%	\$ (000)	%
<b>Agricultural Loans</b>	<b>427</b>	<b>38.6%</b>	<b>\$ 53,616</b>	<b>47.4%</b>
<b>Commercial Loans</b>	299	27.0%	<b>\$ 50,571</b>	<b>44.7%</b>
Consumer Loans	339	30.7%	\$ 3,593	3.2%
Residential Loans	41	3.7%	\$ 5,333	4.7%
Total Originations	1,106	100.0%	\$ 113,113	100.0%

Source: Bank records from January 1, 2017 – December 31, 2017

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated JNB using the small bank examination procedures, which include a lending test. We determined the primary products for the lending test to be agricultural loans and commercial loans. To evaluate JNB's performance under the lending test, we randomly selected a sample of 20 agricultural loan and 20 commercial loan originations for both 2015-2016 and 2017.

The evaluation period for this examination is from January 1, 2015, through December 31, 2017. There was a change to the AA census tracts from 2016 to 2017. Due to the change, we completed loan samples for 2015-2016 and 2017 separately.

### **Data Integrity**

The loan information was determined to be accurate. We randomly selected loans to test and based our conclusions from these samples.

### **Selection of Areas for Full-Scope Review**

JNB has one AA, Seward County, which is comprised of four census tracts. We conducted a full-scope review of this AA.

### **Ratings**

The overall rating is based on the bank's only AA, which received a full-scope review. The rating considers the loan-to-deposit ratio, the level of lending in the AA, and the distribution of loans to farms and businesses of different sizes.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

JNB's performance under the lending test is satisfactory. The loan-to-deposit (LTD) ratio is reasonable. The bank originates the majority of its loans inside the AA. The distribution of loans to farms of different sizes reflects reasonable penetration within the AA. The distribution of loans to businesses of different sizes levels reflects reasonable penetration within the AA.

### Loan-to-Deposit Ratio

JNB's lending level is reasonable given the institution's size, financial condition, area competition, and the credit needs of the community. JNB's LTD ratio averaged 76 percent over the last 20 quarters, with a quarterly low of 71 percent and a quarterly high of 83 percent. JNB's LTD ratio was compared to three community banks of similar size, location, and product offerings. These banks had an average LTD ratio of 78 percent and ranged from 46 percent to 97 percent over the past 20 quarters. JNB's LTD ratio is comparable with these three banks.

### Lending in Assessment Area

JNB originates a majority of agricultural loans and commercial loans by number and by dollar volume inside its AA. Our sample of 40 agricultural loans determined that 88 percent by number and 88 percent by dollar amount were made to borrowers inside the AA. Our sample of 40 commercial loans determined that 65 percent by number and 61 percent by dollar were made to borrowers inside the AA.

Table 1 - Lending in Seward AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	35	88%	5	12%	40	\$2,819	88%	\$372	12%	\$3,191
Commercial	26	65%	14	35%	40	\$2,139	61%	\$1,359	39%	\$3,498
Totals	61	76%	19	24%	80	\$4,958	74%	\$1,731	26%	\$6,689

Source: Loan sample.

## Lending to Farms of Different Sizes and Businesses of Different Sizes

The distribution of loans to farms of different sizes and business of different sizes reflects reasonable penetration of AA demographics.

### Lending to Farms of Different Sizes

JNB's performance in lending to farms of different sizes demonstrates reasonable penetration. In 2015-2016, 90 percent of loans by number and 85 percent of loans by dollar were made to small farms. In 2017, 75 percent of loans by number and 94 percent of loans by dollar were made to small farms. Penetration of lending to farms of different sizes is comparable to AA demographics. For both samples, there were several loans for which revenue information could not be found. The majority of these loans were small dollar loans that did not require revenue information to be documented.

<b>Table 2A - Borrower Distribution of Loans to Farms in Seward County AA (2015-2016)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	2	1	100
% of Bank Loans in AA by #	90	0	10	100
% of Bank Loans in AA by \$	85	0	15	100

Source: 2010 U.S. Census data

<b>Table 2A - Borrower Distribution of Loans to Farms in Seward County AA (2017)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	2	1	100
% of Bank Loans in AA by #	75	0	25	100
% of Bank Loans in AA by \$	94	0	6	100

Source: 2015 ACS U.S. Census data

### Lending to Businesses of Different Sizes

JNB's performance in lending to businesses of different sizes demonstrates reasonable penetration. In 2015-2016, 50 percent of loans by number and 55 percent of loans by dollar were made to small businesses. In 2017, 65 percent of loans by number and 46 percent of loans by dollar were originated to small businesses. Penetration of lending to businesses of different sizes is comparable to AA demographics. For both the 2015-2016 and 2017 sample, there were several loans that revenue information could not be found. These loans were small dollar loans that did not require revenue to be documented.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Seward County (2015-2016)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	82	5	13	100
% of Bank Loans in AA by #	50	20	30	100
% of Bank Loans in AA by \$	55	35	10	100

*Source: 2010 U.S. Census data*

<b>Table 2A - Borrower Distribution of Loans to Businesses in Seward County (2017)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	81	6	13	100
% of Bank Loans in AA by #	65	20	15	100
% of Bank Loans in AA by \$	46	39	15	100

*Source: 2015 ACS U.S. Census data*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful, as the AA did not have any low- or moderate-income geographies.

### **Responses to Complaints**

The bank has not received any CRA-related complaints since the previous CRA exam was completed.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (1/1/2015 to 12/31/2017) Investment and Service Tests and CD Loans: Was not performed	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The Jones National Bank and Trust Company of Seward (JNB) Seward, Nebraska	Agricultural loans Commercial loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Seward County AA Census Tracts: <ul style="list-style-type: none"> <li>• 9601</li> <li>• 9602</li> <li>• 9603</li> <li>• 9604</li> </ul>	Full-Scope	

# Appendix B: Community Profiles for Full-Scope Areas

## State of Nebraska

### Seward County Assessment Area

Demographic Information for Full-Scope Area: Seward County AA 2015-2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0%	0%	100%	0%	0%
Population by Geography	16,750	0%	0%	100%	0%	0%
Owner-Occupied Housing by Geography	4677	0%	0%	100%	0%	0%
Businesses by Geography	1,099	0%	0%	100%	0%	0%
Farms by Geography	268	0%	0%	100%	0%	0%
Family Distribution by Income Level	4,455	14%	19%	28%	39%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,457	0%	0%	100%	0%	0%
Median Family Income = \$66,851		Median Housing Value = \$136,459				
FFIEC Adjusted Median Family Income for 2015-2016 = \$70,400		Unemployment Rate = 2.18%				
Households Below the Poverty Level = 9%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census, and 2015-2016 FFIEC updated MFI.

Demographic Information for Full-Scope Area: Seward County AA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0%	0%	75%	25%	0%
Population by Geography	16,998	0%	0%	74%	26%	0%
Owner-Occupied Housing by Geography	4,514	0%	0%	70%	30%	0%
Businesses by Geography	1,095	0%	0%	74%	26%	0%
Farms by Geography	244	0%	0%	52%	48%	0%
Family Distribution by Income Level	4,489	17%	17%	25%	41%	0%
Distribution of Low- and Moderate- Income Families throughout AA Geographies	1,510	0%	0%	77%	23%	0%
Median Family Income = \$70,200 FIEC Adjusted Median Family Income for 2017 = \$72,000 Households Below the Poverty Level =10%						Median Housing Value \$147,368 Unemployment Rate = 1.84%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS Census, and 2017 FFIEC updated MFI.

JNB operates in Seward County, which is comprised of four census tracts. JNB has the second largest deposit share of any bank in the county, comprising 25 percent of all deposits. JNB has two locations; the main office in Seward and a branch in Milford. The bank has three ATMs in Seward and one in Milford. A community contact interview was performed with an individual involved in the USDA Rural Development Office. This organization provides community services for farmers within the AA. The organization has a strong presence in Seward County. The community contact noted that economic conditions are stable and that there have not been any significant changes in major employers in the area. The community contact believes that local financial institutions are involved in the communities and are meeting the credit needs of the communities. This community contact has not received any complaints regarding the local financial institutions.