

# **PUBLIC DISCLOSURE**

April 27, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Northern Bank of Dixon  
Certificate Number: 3440

195 North First Street  
Dixon, California 95620

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a substantial majority of its small business, home mortgage, and small farm loans within the institution's AA.
- The geographic distribution of small business, home mortgage, and small farm loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different revenue sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

- The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs of its AA through CD loans, qualified investments, and CD services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in the AA.

### **Discriminatory of Other Illegal Credit Practices**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA Rating.

## **DESCRIPTION OF INSTITUTION**

### **Background**

First Northern Bank of Dixon (FNBD) is headquartered in Dixon, California, and operates in the central part of the state, in Solano, Yolo, Sacramento, and Placer Counties. FNBD is owned by First Northern Community Bancorp, a one-bank holding company also headquartered in Dixon, California. The institution received an overall “Satisfactory” rating at its previous FDIC CRA Performance Evaluation dated April 3, 2017, based on Interagency Intermediate Small Institution Examination Procedures. The overall rating at the prior evaluation was supported by a “Satisfactory” rating in the Lending Test, and an “Outstanding” rating in the Community Development Test.

### **Operations**

FNBD operates 11 full-service branch offices and 1 limited-service mobile office in its AA in the central part of California. Four of the branches, and the one limited-service office are located in Yolo County. Two of these full-service branches are located in Placer County, and two branches are in Sacramento County. The limited-service office is a satellite office of the Davis Branch which is open for four hours, one day a week, at the Davis University Retirement Community. The remaining three full-service branches are located in Solano County. In October 2019, the bank opened a new branch in an upper-income census tract in Sacramento County. The bank operates nine automated teller machines (ATM). Two ATMs are in Sacramento County. One ATM is in Placer County. Three ATMs are in Yolo County, and three ATMs are in Solano County. In addition to the branches and ATMs, the bank has two loan production offices (LPO) located outside of its AAs. One LPO is located in Contra Costa, California. The second LPO is new since the prior evaluation, and it’s located in Sonoma County, California. The bank has not been part of any merger or acquisition activity since the previous evaluation.

FNBD offers loan products including commercial, agricultural, home mortgage, and consumer loans. Commercial lending is the bank’s primary focus. In addition to various loan products, FNBD continues to offer online and mobile banking services along with a conventional menu of commercial and consumer deposit products that include checking accounts, savings accounts, money market accounts, and certificates of deposits.

### **Ability and Capacity**

As of the March 30, 2020, Consolidated Reports of Condition and Income (Call Report), the bank’s total assets were approximately \$1,341.2 million, including \$777.6 million in total loans and \$355.0 million in total securities. The total assets increased by approximately 15.0 percent since the last evaluation in April 2017. The bank’s asset growth during the review period is primarily due to loan growth. Since the prior evaluation, total loans increased 16.7 percent. Of these loans, commercial real estate loans accounted for the largest increase with approximately \$93.2 million in new loans. Total securities increased by approximately 21.0 percent since the last evaluation. Total deposits increased 11.5 percent since the prior evaluation, and the average full-time employees increased by approximately 3.8 percent from 190 employees to 197 employees.

Quarterly average total assets using quarterly Call Report data from June 30, 2017 to March 30, 2020, totaled approximately \$1,235.4 million. For the same period, average total securities totaled approximately \$308.6 million, average total loans totaled approximately \$738.1 million, and average deposits totaled approximately \$1,110.2 million.

The bank's loan portfolio is illustrated in the following table:

<b>Loan Portfolio Distribution as of 3/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	25,411	3.3
Secured by Farmland	69,596	9.0
Secured by 1-4 Family Residential Properties	97,327	12.5
Secured by Multifamily (5 or more) Residential Properties	46,962	6.0
Secured by Nonfarm Nonresidential Properties	398,346	51.2
<b>Total Real Estate Loans</b>	<b>637,642</b>	<b>82.0</b>
Commercial and Industrial Loans	106,319	13.7
Agricultural Production and Other Loans to Farmers	24,560	3.2
Consumer Loans	758	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	62	0.0
Lease Financing Receivable (net of unearned income)	8,250	1.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>777,591</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. FNBD’s AA includes the following areas in California:

- Sacramento AA: This region includes a portion of the Sacramento-Roseville-Folsom, California Metropolitan Statistical Area (MSA) #40900, including the entirety of Sacramento County, Yolo County, and Placer County. Since the prior evaluation, the U.S. Office of Management and Budget (OMB) changed the name of the former Sacramento-Roseville-Arden-Arcade, California MSA to the new name Sacramento-Roseville-Folsom, California MSA. The re-named MSA continues to include the same counties.
- Solano AA: This region includes a portion of the Vallejo, California, MSA #46700. This AA includes Solano County, excluding census tracts in the cities of Vallejo and Benicia, which are on the western edge of the county. Since the prior evaluation, the OMB changed the name of the former Vallejo-Fairfield, California MSA #46700, to the new name Vallejo, California MSA. The renamed MSA continues to include the same counties. As of 2017, the Solano AA now includes 3 low-income census tracts, up from no census tracts at the prior evaluation.

The bank’s AAs consists of whole geographies, do not arbitrarily exclude any LMI geographies or individuals, and meet the technical requirements of the CRA Regulation.

The following table illustrates the counties, census tracts, and branches located in each AA:

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Sacramento AA	Sacramento, Yolo, Placer	443	8
Solano AA	Solano (partial)	57	3
<i>Source: Bank Data</i>			

### **Economic and Demographic Data**

The bank’s AAs include 500 census tracts. These tracts reflect the following income designations according to the U.S. Census’s 2015 American Community Survey (ACS):

- 47 low-income census tracts,
- 157 moderate-income census tracts,
- 125 middle-income census tracts,
- 168 upper-income census tracts, and
- 3 census tracts with no income designation.

The following table illustrates select demographic characteristics of the bank’s AAs:

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: FNBD AAs</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	500	9.4	25.0	33.6	31.4	0.6
Population by Geography	2,316,903	9.1	24.7	33.8	32.0	0.4
Housing Units by Geography	889,112	8.6	24.1	35.1	32.0	0.2
Owner-Occupied Units by Geography	477,465	4.5	19.3	35.7	40.5	0.0
Occupied Rental Units by Geography	343,595	13.9	31.1	34.3	20.3	0.4
Vacant Units by Geography	68,052	10.7	22.6	35.2	30.9	0.7
Businesses by Geography	168,805	9.2	21.9	30.8	36.2	1.8
Farms by Geography	4,330	5.2	19.1	33.5	41.7	0.5
Family Distribution by Income Level	550,390	23.8	16.6	18.5	41.0	0.0
Household Distribution by Income Level	821,060	25.3	15.6	17.3	41.7	0.0
Median Family Income MSA - #40900 Sacramento-Roseville-Folsom, CA MSA		\$71,829	Median Housing Value			\$285,793
Median Family Income MSA - #46700 Vallejo, CA MSA		\$77,061	Median Gross Rent			\$1,128
			Families Below Poverty Level			11.6%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent. (* The NA category consists of geographies that have not been assigned an income classification.</i>						

According to Moody’s Analytics, the leading industries (by percentage of total employment) within the AAs are government, education, health services, and professional and business services.

According to the 2019 D&B data, there were 168,805 businesses operating in the bank’s AAs. Gross annual revenues (GARs) for these businesses show that:

- 86.8 percent have \$1.0 million or less;
- 4.1 percent have more than \$1.0 million; and
- 9.1 percent have unknown revenues.

According to the 2019 D&B data, there were 4,330 farms operating in the bank’s AAs. GARs for these farms show that:

- 94.4 percent have \$1.0 million or less;
- 3.5 percent have more than \$1.0 million; and
- 2.1 percent have unknown revenues.

Under the Lending Test’s borrower profile criterion, the analysis of small business loans and small farm loans compares the bank’s distribution of loans against the distribution of businesses by GAR level.

The AA's median housing value of \$285,793 is higher than the national median housing value of \$204,900, as reported by the U.S. Census's 2014-2018 ACS.

The area's 2019 Housing and Urban Development (HUD) estimated median family income is higher than the national median of \$75,500, and ranges from \$84,400 in the Sacramento-Roseville-Folsom, California MSA to \$85,700 in the Vallejo, California MSA. The ACS data reports that 11.6 percent of total families in the AA have incomes below the poverty level. The following table highlights the Federal Financial Institutions Examination Council's (FFIEC) median family income ranges for each metropolitan area in the AAs:

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Sacramento--Roseville--Arden-Arcade, CA MSA Median Family Income (#40900)</b>				
2017 (\$75,200)	<\$37,600	\$37,600 to <\$60,160	\$60,160 to <\$90,240	≥\$90,240
2018 (\$80,400)	<\$40,200	\$40,200 to <\$64,320	\$64,320 to <\$96,480	≥\$96,480
<b>Sacramento-Roseville-Folsom, CA MSA Median Family Income (#40900)</b>				
2019 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
<b>Vallejo-Fairfield, CA MSA Median Family Income (#46700)</b>				
2017 (\$80,400)	<\$40,200	\$40,200 to <\$64,320	\$64,320 to <\$96,480	≥\$96,480
2018 (\$83,700)	<\$41,850	\$41,850 to <\$66,960	\$66,960 to <\$100,440	≥\$100,440
<b>Vallejo, CA MSA Median Family Income (#46700)</b>				
2019 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
<i>Source: FFIEC</i>				

This evaluation uses FFIEC-updated median family income levels for the years presented to analyze home mortgage loans under the borrower profile criterion.

The analysis also considers unemployment data within the AAs. The following table shows improving employment data throughout the review period:

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Sacramento County	4.7	3.9	3.7
Yolo County	5.1	4.3	4.1
Placer County	3.9	3.2	3.1
Solano	4.8	4.0	3.8
California	4.8	4.3	4.0
National Average	4.4	3.9	3.7
<i>Source: Bureau of Labor Statistics</i>			

The unemployment rate across the nation, California, and all of the counties within the bank's AAs has consistently improved. The unemployment rate in the primarily-rural Solano and Yolo



Counties remained above the national average throughout the review period, while the unemployment rates in Sacramento and Placer Counties remained at or below that of the national average.

## **Competition**

The bank's AAs are highly competitive areas for financial services. According to the FDIC Deposit Market Share data as of June 30, 2019, the AAs include 40 banks operating 396 branch offices. Within the AAs, FNBD ranks 10<sup>th</sup> with a deposit market share of 1.9 percent. When looking closer at specific regions, the data reports that there are 39 institutions that operate 340 branch offices within the 3-county Sacramento AA. Of these institutions, FNBD ranks 12<sup>th</sup> in the Sacramento AA with a 1.5 percent deposit market share. In the Solano AA, there are 13 institutions that operate 56 branch offices. Of these institutions, FNBD ranks 5<sup>th</sup> with a 6.9 percent deposit market share. Throughout the AAs, FNBD competes for business with large national banks, regional banks, and other community banks. The bank also competes with credit unions, which are not reflected in the FDIC Summary of Deposit Data.

According to the 2018 Peer Mortgage Data, FNBD ranked 125<sup>th</sup> out of 663 lenders, with a mortgage market share of 0.1 percent, by number of loans.

## **Distressed or Underserved Nonmetropolitan Middle-Income Geographies**

The AAs do not have any distressed or underserved middle-income nonmetropolitan geographies.

## **Designated Disaster Areas**

The Federal Emergency Management Agency (FEMA) lists the following three disasters affecting the bank's AAs during the review period:

- COVID-19 Nationwide Emergency: On March 13, 2020, President Trump declared a nationwide emergency pursuant to Section 501(b) of Stafford Act. All 50 states, the District of Columbia, and 4 territories have been approved for major disaster declarations to assist with additional needs identified under the nationwide emergency declaration for COVID-19. The following counties in the bank's AA are affected by the COVID-19 disaster declaration: Sacramento, Yolo, Placer, and Solano. These counties are located within the Sacramento AA and Solano AAs.
- FEMA-DR-4434: On February 24, 2019 through March 1, 2019, Yolo County was affected by severe winter storms. Yolo County is located in the bank's Sacramento AA.
- FEMA-DR-4344: On October 8, 2017 through October 31, 2017, Solano County was affected by wildfires. Solano County is located in the bank's Solano AA.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AAs to assist in identifying the credit and CD needs. Information provided helps determine whether local financial institutions are addressing these needs. It also shows credit and CD opportunities that are available

in the AAs. Through discussions with the community contacts, examiners heard about needs for small business loans, small business financial training, and affordable housing loans. The following paragraphs describe performance context information provided by community contacts covering both the Sacramento AA and Solano AA.

Examiners met with directors from two community organizations that are active in the Greater Sacramento area. The first organization provides affordable housing and housing-related counseling services. The second organization promotes economic development by mentoring small businesses and helping small businesses find funds to further develop and grow their operations.

Examiners spoke with two directors from the affordable housing group. The directors explained that the Sacramento AA and Solano AA need affordable housing loans, specifically down-payment-assistance loans and home-improvement loans. The contacts explained that the housing price for both rentals and home mortgages is high relative to the wages people earn from LMI jobs in the area. They further stated that there is a specific need for home improvements loans in LMI areas in order to help homeowners maintain the habitability of their dwellings, while avoiding fines from local housing code violations. The community contacts explained that there is a continued need for affordable housing loans in metropolitan areas. There is also a growing need for home loans in rural communities where LMI people have begun to move further from the cities to find lower housing costs. In terms of community service needs, the directors explained that there is a need for financial education targeted to the underbanked population, as well as people living in transitory housing, such as motels and halfway houses. The directors also described an emerging need for revitalization and stabilization efforts related to the COVID-19 pandemic and its economic impact. Specifically, there is a need for mortgage payment forbearance for both homeowners and owners of apartment buildings, as well as temporary loans to help maintain operations during a period of cash flow disruptions.

Examiners conducted the second community contact with a director from an economic development organization. The contact stated that small businesses are finding it difficult to obtain financing from banks, and there is a healthy need for loans to new companies as well as existing small businesses throughout the AAs. The contact also explained that very small businesses are having more difficulty accessing loan forbearance and COVID-related temporary financing when compared to other small and large businesses. The director further explained that there is a need for financial education outreach geared towards small business. Specifically, the education should focus on topics such as bookkeeping, preparing financial statements, and understanding the true cost of business. The community contact also mentioned that rural portions of the AA remain challenging locations for community outreach and lending. Rural businesses are more geographically spread out and populations are smaller, which makes it difficult for banks to have a physical presence.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that the greatest credit and CD needs in the AAs are economic development loans and education, affordable housing loans and counseling, and activities that revitalize and stabilize disaster areas. There is a specific need for loans to small businesses

with GARs of \$1.0 million or less, as well as affordable housing loans due to high housing costs relative to incomes. The AAs have financial education opportunities for both small businesses, as well as underbanked individuals. The AAs also need revitalization and stabilization activities related to FEMA designated disasters, including the recent COVID-19 pandemic. There are no discernable differences in the CD needs and opportunities amongst the AAs.

Please refer to the rated areas and the individual AAs for additional information.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated April 3, 2017, to the current evaluation dated April 27, 2020. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test considers the bank's performance according to the following criteria:

- LTD ratio;
- AA concentration;
- Geographic distribution;
- Borrower profile; and
- Response to CRA-related complaints.

The Community Development Test considers the following factors:

- Number and dollar amount of CD loans, qualified investments, and CD services; and
- Responsiveness of such activities to the CD needs of the AAs.

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Examiners conducted a full-scope analysis of the bank's performance across its entire AA. Although the bank's overall AA is contiguous, it spans two MSAs; therefore, this evaluation presents the analysis as two distinct areas: the Sacramento AA full-scope review, and the Solano AA full-scope review.

Based on FNBD's distribution of deposits, branches, loans, and CD activity, examiners placed the greatest weight on the bank's performance in the Sacramento AA. This AA contains a majority of population, as well as a majority of the bank's operations and activities. Examiners also reviewed the Solano AA. Examiners used full-scope procedures in the Solano AA because the previous Performance Evaluation assigned a "Needs to Improve" rating for the Solano AA's Lending Test. The full-scope analyses are further discussed in the descriptions of AAs.

The following table displays the bank’s CRA Lending Test loans, deposits, and full-service branches by AA:

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>CRA Loans</b>		<b>Deposits</b>		<b>Full-Service Branches</b>	
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Sacramento AA	727	72.2	757,239	69.2	8	72.7
Solano AA	280	27.8	337,783	30.8	3	27.3
<b>Total</b>	<b>1,007</b>	<b>100.0</b>	<b>1,095,022</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>

*Source: Bank Data; FDIC Summary of Deposits (6/30/2019)*

### **Activities Reviewed**

Examiners determined that the bank’s major product lines are small business loans, home mortgage loans, and small farm loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated and purchased during the evaluation period. Bank records and discussions with management indicated that the product mix remained generally consistent throughout the evaluation period. The Lending Test analysis includes small business, small farm, and home mortgage loans originated or purchased between January 1, 2017, and December 31, 2019.

Purchase and origination activity in 2019 shows that commercial real estate and commercial and industrial loans comprise 54.6 percent of the bank’s lending activity by dollar volume and 41.1 percent by number. Loans secured by one-to-four family residential properties and multifamily loans comprise 17.6 percent by dollar volume and 35.0 percent by number. Loans secured by farmland and agricultural loans comprise 14.7 percent of the bank’s lending activity by dollar volume and 9.6 percent by number. Lastly, consumer loans do not represent a substantial portion of the bank’s lending activity. Consumer loans comprise 0.1 percent by dollar volume and 5.6 percent by number.

In the Lending Test analysis, examiners weight the bank’s small business lending more heavily than the home-mortgage loans and small farm loans, because commercial lending represents the largest portion of the bank’s loan activity by number and dollar volume. The evaluation does not include consumer loans because consumer loans do not represent a substantial portion of loan activity.

The following table illustrates the bank’s originations and purchases in the calendar year preceding the current evaluation:

<b>Loans Originated or Purchased in Calendar Year 2019</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	50,121	12.0	33	4.9
Secured by Farmland	9,380	2.2	9	1.3
Secured by 1-4 Family Residential Properties	62,028	14.8	234	34.6
Multi-Family (5 or more) Residential Properties	11,515	2.8	3	0.4
Commercial Real Estate Loans	114,326	27.3	56	8.3
Commercial and Industrial Loans	114,282	27.3	222	32.8
Agricultural Loans	52,497	12.5	56	8.3
Consumer Loans	276	0.1	38	5.6
Other Loans	4,259	1.0	26	3.8
<b>Total Loans</b>	<b>418,684</b>	<b>100.0</b>	<b>677</b>	<b>100.0</b>

*Source: Bank Data 1/1/19 through 12/31/19. Percentages may not add up to 100.0 percent due to rounding.*

From January 1, 2017, to December 31, 2019, FNBD originated 631 small business loans totaling approximately \$194.3 million, 354 home mortgage loans totaling approximately \$127.9 million, and 171 small farm loans totaling approximately \$39.0 million. The following paragraphs highlight the yearly activity.

The bank originated or purchased 220 small business loans totaling approximately \$72.8 million in 2017, 204 loans totaling approximately \$62.5 million in 2018, and 207 loans totaling approximately \$59.0 million in 2019. Since the bank is not a large-bank CRA loan reporter, examiners compared the bank’s performance of small business lending against 2017, 2018, and 2019 D&B demographic data. Examiners validated the bank’s voluntarily-collected small business loan data, and used the entire universe for the Lending Test, after checking it for accuracy.

The bank originated or purchased 105 home mortgage loans totaling approximately \$34.2 million in 2017, 93 loans totaling approximately \$31.2 million in 2018, and 156 loans totaling approximately \$62.5 million in 2019. FNBD is a mandatory Home Mortgage Disclosure Act (HMDA) reporter; therefore, the Lending Test analysis compares the bank’s home mortgage lending against the 2017 and 2018 aggregate data. The 2019 aggregate data was not available at the time of the evaluation; therefore, the bank’s home-mortgage lending performance is solely compared against ACS demographic data in 2019. In the 2017 and 2018 home-mortgage lending analysis, more weight is placed on the bank’s performance compared to aggregate HMDA lending data than compared to the ACS demographic data, as the aggregate lending data better demonstrates demand for credit and opportunities to lend. Examiners validated the bank’s reported HMDA data, and used the entire universe for the current evaluation.

The bank originated or purchased 60 small farm loans totaling approximately \$14.9 million in 2017, 61 loans totaling approximately \$13.2 million in 2018, and 50 loans totaling approximately \$10.9

million in 2019. Since the bank is not a large-bank CRA loan reporter, examiners compared the bank's performance of small farm lending against 2017, 2018, and 2019 D&B demographic data. Examiners validated the bank's voluntarily-collected small farm loan data, and used the entire universe for the Lending Test, after checking it for accuracy.

The D&B business demographic data, which is used in the small business and small farm analysis, regularly indicates that a majority of businesses and farms in a given area are small businesses and farms. Moreover, the D&B data is only used as an indicator of demographics in the AAs and a benchmark for performance under the geographic distribution and the borrower profile criteria of the Lending Test. The D&B data should not be construed as an absolute indicator of loan demand.

In the Lending Test analysis, conclusions primarily consider and focus on the number of loans as this is more indicative of how many small businesses, small farms, and individuals are helped; furthermore, loan sizes can skew the analysis. The evaluation also presents the dollar amount of lending in order to provide additional context for borderline rating situations. The evaluation does not consider subsidiary or affiliate lending activity, because the bank does not have any lending affiliates.

In the Community Development Test, examiners review CD loans, qualified investments, and CD services provided by the bank since the prior evaluation. The activities span the entire review period from April 3, 2017 to April 27, 2020. The consideration of investment activity included investments made during the current evaluation period and any investments still outstanding from the prior evaluation period. The assessment of all CD activities presents both the number and specific dollars or hours of activities provided. The Community Development Test analysis weighs the dollar volume and total hours more heavily than the number when assessing the activities.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

FNBD achieved a Satisfactory rating in the Lending Test. The rating is primarily supported by reasonable performance in the Sacramento AA. The Solano AA also reflects reasonable performance under the Lending Test.

The following sections address the bank's overall performance under each Lending Test component.

#### Loan-to-Deposit Ratio

The average net LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The average net LTD ratio, calculated from Call Report data, averaged 67.6 percent over the past 12 calendar quarters from June 30, 2017 to March 30, 2020. The ratio had a small upward trend over the review period. The ratio ranged from a low of 65.2 percent as of September 30, 2017, to a high of 69.2 percent as of June 30, 2018.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets (\$000) as of 3/30/2020</b>	<b>Average Net LTD Ratio (%)</b>
<b>First North Bank of Dixon</b>	<b>1,341,180</b>	<b>67.6</b>
Merchants Bank of Commerce	1,454,680	81.5
Five Star Bank	1,559,862	86.4

*Source: Reports of Condition and Income 6/30/2017 - 3/30/2020*

As shown in the table above, FNBD's average LTD ratio is lower than peer banks operating in the AAs. Examiners selected Merchants Bank of Commerce and Five Star Bank as peer banks for the LTD ratio comparison because of their similar size, geographic location, and product mix. Both Merchants Bank of Commerce and Five Star Bank were rated using Intermediate Small Bank CRA procedures at their previous performance evaluations, and both banks have total assets greater than \$1.0 billion. The two banks also have substantial operations in the Greater Sacramento area, and they are primarily commercial lenders like FNBD.

#### Assessment Area Concentration

The bank originated a substantial majority of its loans by number and dollar volume within its AAs. Overall, the bank's performance reflects a commitment to meeting the credit needs of the AAs.

The following table summarizes the bank's record of lending inside and outside of the AAs:

<b>Lending Inside and Outside of the Assessment Area</b>											
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total</b>	
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$(000s)</b>	
Small Business											
2017	206	93.6	14	6.4	220	67,203	92.3	5,616	7.7	72,819	
2018	191	93.6	13	6.4	204	56,390	90.3	6,071	9.7	62,461	
2019	185	89.4	22	10.6	207	49,474	83.8	9,538	16.2	59,012	
<b>Subtotal</b>	<b>582</b>	<b>92.2</b>	<b>49</b>	<b>7.8</b>	<b>631</b>	<b>173,067</b>	<b>89.1</b>	<b>21,225</b>	<b>10.9</b>	<b>194,292</b>	
Home Mortgage											
2017	93	88.6	12	11.4	105	30,193	88.4	3,972	11.6	34,165	
2018	76	81.7	17	18.3	93	26,547	85.0	4,692	15.0	31,239	
2019	129	82.7	27	17.3	156	51,227	82.0	11,250	18.0	62,478	
<b>Subtotal</b>	<b>298</b>	<b>84.2</b>	<b>56</b>	<b>15.8</b>	<b>354</b>	<b>107,967</b>	<b>84.4</b>	<b>19,915</b>	<b>15.6</b>	<b>127,882</b>	
Small Farm											
2017	39	65.0	21	35.0	60	8,500	57.2	6,371	42.8	14,871	
2018	46	75.4	15	24.6	61	9,221	69.7	4,016	30.3	13,237	
2019	42	84.0	8	16.0	50	9,152	83.8	1,773	16.2	10,925	
<b>Subtotal</b>	<b>127</b>	<b>74.3</b>	<b>44</b>	<b>25.7</b>	<b>171</b>	<b>26,873</b>	<b>68.8</b>	<b>12,160</b>	<b>31.2</b>	<b>39,033</b>	
<b>Total</b>	<b>1,007</b>	<b>87.1</b>	<b>149</b>	<b>12.9</b>	<b>1,156</b>	<b>307,907</b>	<b>85.2</b>	<b>53,300</b>	<b>14.8</b>	<b>361,207</b>	
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>											

### **Geographic Distribution**

The bank's geographic distribution of small business loans reflects reasonable dispersion throughout the AAs. Examiners compared the bank's small business and small farm performance to the demographic percentage of small businesses and small farms in each census tract category. Examiners also compared the bank's home-mortgage performance to the percentage of owner-occupied housing units in each census tract category and the aggregate HMDA data. Performance in the Sacramento AA is reasonable, while performance in the Solano AA is poor. The Sacramento AA carries more weight in the overall analysis. In addition, small business loan performance is weighted more than the home-mortgage loans and small farm loans.

### **Borrower Profile**

The bank's distribution of borrowers reflects reasonable penetration among business customers of different revenue sizes and individuals of different income levels in the AA. The bank's performance is consistent across both the Sacramento and Solano AAs. The Sacramento AA carries



more weight in the overall analysis. In the analysis, small business loan performance is also weighted more than the home-mortgage loans and small farm loans.

When assessing the borrower profile criteria for small business and small farm loans, examiners compared the bank's distribution of loans with the D&B business demographic data. The D&B data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. As such, the D&B data is primarily considered an indicator of business demographics in the AA and is not considered an absolute indicator of demand for business and farm loans.

When assessing the borrower profile criteria for home-mortgage loans, examiners compared the bank's distribution of loans with the demographic data on family income as well as the aggregate HMDA data.

Since the previous evaluation, the bank launched three new small-dollar loan products, which are designed to support smaller businesses and farms throughout the bank's AAs. The first new loan product is the Lightning Loan. The Lightning Loan is an unsecured commercial loan, up to \$50,000, and it is available via online application. The second new lending product is the Sole Proprietor Overdraft Line of Credit. This is a 3-year overdraft line of credit with loan amounts up to \$5,000 and limited underwriting. The third new loan product is an agricultural loan program that benefits small farmers who recently completed an agriculture training program at a local farm development organization. These small farm loans provide up to \$10,000 to new- and existing-agricultural businesses who complete the agriculture training program.

The bank continues to offer its Future Farmers of America (FFA) Livestock Loan program. The program is a small dollar loan program which offers loans up to \$7,500 at no interest for the entire 9-month term. The loans allow students to participate the livestock education program while avoiding high interest rate loans. The loan program is designed so that students' loan balances are paid off through the sale of their livestock at the end of the education program.

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## COMMUNITY DEVELOPMENT TEST

FNBD’s performance under the Community Development Test demonstrates excellent responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for CD in the institution’s AAs.

### Community Development Loans

The bank originated 706 CD loans totaling approximately \$314.4 million during the review period. This total represents 26.3 percent of average total assets, and 43.3 percent of average total loans during the review period. The dollar volume and number of qualified CD loans has greatly increased since the prior evaluation, where the bank’s CD loans represented 13.6 percent of average total assets and 24.5 percent of average total loans. Examiners noted that the current review period (1,120 days) is 37.9 percent longer than the previous review period (812 days). While the review period is longer, the large increase in CD loans is primarily attributed to the bank’s COVID-19 Paycheck Protection Program (PPP) loans.

The bank’s CD loans primarily focused on revitalization and stabilization in response to the COVID-19 pandemic. The bank also made CD loans for affordable housing, community service, economic development, and non-COVID revitalization and stabilization activities; however, the PPP loans dwarf all other CD loans combined, in terms of total number and total dollar volume. The bank’s focus on PPP loans demonstrates responsiveness to the need for temporary funding to help businesses impacted by the COVID-19 pandemic. In the 20 days prior to the review period’s end date, the bank originated 644 PPP loans, totaling approximately \$173.6 million. For context, if the data excludes PPP loans, the bank’s CD loans as a percentage of average total assets would be 11.4 percent and the CD loans as a percentage of average total loans would be 18.8 percent.

The following table illustrates the bank’s CD lending activity by year and by CD purpose:

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	1	2,425	5	7,691	1	1,073	14	23,354	21	34,543
2018	0	0	3	7,620	1	4,119	14	42,042	18	53,781
2019	4	3,775	4	4,049	0	0	11	33,900	19	41,724
YTD 2020	0	0	0	0	0	0	648	184,367	648	184,367
<b>Total</b>	<b>5</b>	<b>6,200</b>	<b>12</b>	<b>19,360</b>	<b>2</b>	<b>5,192</b>	<b>687</b>	<b>283,663</b>	<b>706</b>	<b>314,415</b>

*Source: Bank Data. Totals might not add to 100.0 percent due to rounding. Year-to-Date (YTD).*

The CD loans listed in the table above include 63 statewide loans totaling approximately \$33.6 million. Of the statewide loans, 1 loan totaling approximately \$2.4 million supports affordable housing; 2 loans totaling approximately \$6.1 million support community services; and 60 loans totaling approximately \$25.1 million support revitalization and stabilization efforts. The 60

statewide revitalization and stabilization loans include 56 PPP loans totaling approximately \$19.9 million.

**Qualified Investments**

The bank made or held 123 qualified investments and CD donations totaling approximately \$6.6 million. This total includes 10 qualified equity investments of approximately \$6.4 million and 113 donations totaling approximately \$171,000. The total dollar amount of qualified investments and donations equates to 0.5 percent of average total assets and 2.1 percent of average total securities since the previous evaluation. The total dollar volume of qualified CD investments and donations increased by approximately \$1.9 million, or 41.0 percent, since the prior evaluation. For comparison purposes, the current evaluation had a review period that was 37.9 percent longer than the prior evaluation. At the prior evaluation, the total dollar amount of qualified investments and donations equated to 0.4 percent of average total assets and 2.3 percent of average total securities.

Of the total dollar amount of investments at the current evaluation, 23.4 percent benefited efforts to provide affordable housing, 22.0 percent benefitted community service, 38.5 percent benefited economic development, and 0.2 percent promoted revitalization and stabilization efforts.

The following table illustrates the bank’s qualified investments and CD donations by year and purpose:

<b>Qualified Investments and Donations</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	1	1,539	1	820	1	1,060	0	0	3	3,419
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	1	245	0	0	1	245
2019	0	0	1	500	3	735	0	0	4	1,235
YTD 2020	0	0	0	0	2	490	0	0	2	490
<b>Subtotal</b>	<b>1</b>	<b>1,539</b>	<b>2</b>	<b>1,320</b>	<b>7</b>	<b>2,530</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>5,389</b>
Qualified Grants & Donations	4	8	97	136	9	16	3	11	113	171
<b>Total</b>	<b>5</b>	<b>1,547</b>	<b>99</b>	<b>1,456</b>	<b>16</b>	<b>2,546</b>	<b>3</b>	<b>11</b>	<b>123</b>	<b>5,560</b>

*Source: Bank Data*

The CD investments and donations listed in the table above include 7 statewide investments totaling approximately \$2.5 million and 7 statewide donations totaling \$15,000.

The bank’s CD investments included five new statewide investments in minority depository institutions. These investments were in the form of 5 certificates of deposit totaling approximately \$1.2 million. In addition, the bank made one new statewide investment in a low-income credit union. The investment was in the form of a \$245,000 certificate of deposit. The bank continues to

hold one prior-period statewide investment in a small business investment company that supports economic development. The investment has a book value of approximately \$1.1 million.

**Community Development Services**

In 2017, 2018, 2019, and year-to-date 2020 bank employees provided 153 instances, or 1,877 hours, of financial expertise or technical assistance to multiple CD-related organizations within its AAs. The total CD service hours increased by 817 hours over the prior evaluation, which represents a 77.1 percent increase. The majority of the service hours involve community services.

The following table illustrates the bank’s CD service activity:

<b>Community Development Service Hours</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>
2017	17.5	436.5	12.0	2.5	<b>468.5</b>
2018	2.5	628.0	0.0	12.0	<b>642.5</b>
2019	0.0	746.5	3.0	16.5	<b>766.0</b>
YTD 2020	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>20.0</b>	<b>1,811.0</b>	<b>15.0</b>	<b>31.0</b>	<b>1,877.0</b>
<i>Source: Bank Data</i>					

The CD service hours listed in the table above include 2 statewide CD services totaling 1 hour (30 minutes each).

Please refer to the Community Development Test sections within each AA for a detailed discussion of the bank’s performance at the AA-level.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the credit needs of the community.

## SACRAMENTO AA – Full-Scope Review

### CRA RATING FOR SACRAMENTO AA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SACRAMENTO AA

A majority of the bank's branches, deposits, small business loans, home mortgage loans, small farm loans, and CD activities are in the Sacramento AA. This AA contains:

- 72.7 percent of the bank's full-service branches;
- 67.7 percent of the bank's ATMs;
- 69.2 percent of the bank's deposits;
- 68.9 percent of the bank's small business loans;
- 55.1 percent of the bank's mortgage loans;
- 56.7 percent of the bank's small farm loans;
- 72.9 percent of the bank's CD loans by dollar;
- 45.0 percent of the bank's CD investments and donations by dollar;
- 23.5 percent of the bank's CD service hours; and
- 88.0 percent of the population throughout the bank's AAs.

The Sacramento AA includes a portion of the Sacramento-Roseville-Folsom, California MSA #40900, including the entirety of Sacramento County, Yolo County, and Placer County. In October 2019, the bank opened a new branch in an upper-income census tract in (Rancho Cordova) Sacramento County.

#### Economic and Demographic Data

The bank's Sacramento AA includes 443 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 44 low-income census tracts,
- 110 moderate-income census tracts,
- 145 middle-income census tracts,
- 142 upper-income census tracts, and
- 2 census tracts with no income designation.

The following table illustrates select demographic characteristics of the Sacramento AA:

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: FNBD Sacramento AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	443	9.9	24.8	32.7	32.1	0.5
Population by Geography	2,039,432	9.8	24.8	32.9	32.4	0.1
Housing Units by Geography	792,762	9.3	24.1	34.1	32.3	0.3
Owner-Occupied Units by Geography	422,076	4.9	19.7	34.5	40.9	0.0
Occupied Rental Units by Geography	307,973	14.9	30.5	33.6	20.5	0.5
Vacant Units by Geography	62,713	11.1	22.1	34.4	31.7	0.7
Businesses by Geography	151,528	9.6	21.8	30.4	36.2	2.0
Farms by Geography	3,726	5.9	19.9	31.9	41.7	0.5
Family Distribution by Income Level	482,603	24.2	16.5	18.3	40.9	0.0
Household Distribution by Income Level	730,049	25.8	15.6	17.2	41.4	0.0
Median Family Income MSA - 40900 Sacramento-Roseville-Folsom, CA MSA		\$71,829	Median Housing Value			\$286,339
			Median Gross Rent			\$1,101
			Families Below Poverty Level			11.9%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent. (* ) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to Moody’s Analytics, the leading industries (by percentage of total employment) within the Sacramento AA are government, education and health services, and professional and business services.

According to the 2019 D&B data, there were 151,528 businesses operating in the bank’s Sacramento AA. GARs for these businesses show that:

- 86.8 percent have \$1.0 million or less;
- 4.2 percent have more than \$1.0 million; and
- 9.0 percent have unknown revenues.

According to the 2019 D&B data, there were 3,726 farms operating in the bank’s Sacramento AA. GARs for these farms show that:

- 94.3 percent have \$1.0 million or less;
- 3.5 percent have more than \$1.0 million; and
- 2.2 percent have unknown revenues.

The Sacramento AA’s median housing value of \$286,339 is higher than the national median housing value of \$204,900, as reported by the ACS.

The area's 2019 HUD estimated Median Family Income is \$84,400, which is higher than the national median of \$75,500. The ACS data also reports that 11.9 percent of total families in the AA have incomes below the poverty level. Data from the U.S. Bureau of Labor Statistics shows an improving trend in the unemployment rate from 4.7 percent in 2017 to 3.9 percent in 2018, and 3.7 percent in 2019. The 2019 unemployment rate in the Sacramento AA is consistent with the national average (3.7 percent), and slightly below the Californian average (4.0 percent).

### **Competition**

The bank's Sacramento AA is a highly competitive area for financial services. According to the FDIC Deposit Market Share data as of June 30, 2019, the AA includes 39 banks operating 340 branch offices. Within the AA, FNBD ranks 12<sup>th</sup> with a deposit market share of approximately 1.5 percent. Throughout the AA, FNBD competes for business with large national banks, regional banks, and other community banks. The bank also competes with credit unions, which are not reflected in the FDIC Summary of Deposit Data.

According to the 2018 Peer Mortgage Data, FNBD ranked 152<sup>nd</sup> out of 561 lenders, with a mortgage market share of approximately 0.1 percent by loan number.

### **Community Contacts**

Examiners contacted two organizations with operations in the Greater Sacramento Area, which includes the Sacramento AA. Please refer to the overall Description of the Assessment Area for a summary of the Sacramento AA's community needs, opportunities, and performance context factors that were identified by the community contacts.

### **Credit and Community Development Needs and Opportunities**

The Sacramento AA has a need for economic development loans and outreach, affordable housing loans and outreach, and activities that revitalize and stabilize disaster areas. The Sacramento AA's credit and CD needs and opportunities are consistent with the overall needs and opportunities discussed in the overall Description of the Assessment Areas. Please refer to the Credit and Community Development Needs and Opportunities subheading under the overall Description of the Assessment Areas for a detailed description of the needs and opportunities.

## **SCOPE OF EVALUATION – SACRAMENTO AA**

The current evaluation uses full-scope procedures in the Sacramento AA. Based on FNBD's distribution of deposits, branches, loans, and CD activity, examiners placed greater weight on the Sacramento AA compared to the Solano AA. The Sacramento AA includes a larger geographic area, a larger population, and more of the bank's branches and activities. The Sacramento AA Lending Test analysis also places greater weight on small business loans, because these products represent a larger portion of the bank's lending. Please refer to the overall Scope of Evaluation for specific data which supports the AA and product weighting.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SACRAMENTO AA**

### **LENDING TEST**

FNBD demonstrated satisfactory performance under the Lending Test in the Sacramento AA. Borrower profile and geographic distribution are weighted equally and the performance in each criterion primarily supports this conclusion.

The Lending Test performance in the Sacramento AA is consistent with the bank's overall Lending Test performance.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Sacramento AA. FNBD's performance in this AA is consistent with the bank's overall performance. Small business loans are weighted more heavily in the analysis; therefore, the bank's excellent performance in small business loans counter-balances the poor performance in home mortgage and small farm lending.

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout the Sacramento AA.



For comparison purposes, the following table shows the percentage of businesses by census tract category:

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: FNBD Sacramento AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	9.8	21	13.6	9,490	20.9
2018	9.9	21	14.1	7,333	16.3
2019	9.6	13	9.8	3,422	9.3
<b>Moderate</b>					
2017	22.3	37	24.0	11,290	24.9
2018	22.0	35	23.5	13,974	31.0
2019	21.8	35	26.5	11,667	31.7
<b>Middle</b>					
2017	30.8	38	24.7	9,456	20.9
2018	30.6	37	24.8	8,123	18.0
2019	30.4	34	25.8	10,852	29.5
<b>Upper</b>					
2017	35.1	57	37	15,042	33.2
2018	35.4	55	36.9	14,629	32.5
2019	36.2	48	36.4	10,347	28.1
<b>Not Available</b>					
2017	2.1	1	0.6	65	0.1
2018	2.1	1	0.7	995	2.2
2019	2.0	2	1.5	500	1.4
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>154</b>	<b>100.0</b>	<b>45,343</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>45,054</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>36,788</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The table above shows that the bank's proportion of lending to both low-income census tracts and moderate-income census tracts exceeds the D&B data in all three years. This represents a high level of lending to LMI areas, which is consistent with an excellent rating.

## Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the Sacramento AA. For comparison purposes, aggregate lending data and the distribution of owner-occupied housing units by census tract income level is also illustrated in the table below. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the home mortgage credit needs and lending opportunities in the Sacramento AA.

Geographic Distribution of Home Mortgage Loans Assessment Area: FNBD Sacramento AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.9	5.9	0	0.0	0	0.0
2018	4.9	6.6	2	4.3	562	3.2
2019	4.9	--	5	5.9	1,211	3.2
Moderate						
2017	19.7	20.2	9	14.3	2,721	13.7
2018	19.7	20.7	6	12.8	1,507	8.7
2019	19.7	--	12	14.1	2,860	7.6
Middle						
2017	34.5	33.9	20	31.7	5,375	27.0
2018	34.5	33.5	13	27.7	4,273	24.7
2019	34.5	--	23	27.1	6,563	17.4
Upper						
2017	40.9	39.9	34	54.0	11,829	59.4
2018	40.9	39.2	26	55.3	10,980	63.4
2019	40.9	--	44	51.8	26,253	69.8
Not Available						
2017	0.0	0.1	0	0.0	0	0.0
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	1	1.2	746	2.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>19,925</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>17,322</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>85</b>	<b>100.0</b>	<b>37,633</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2019 Bank Data, 2017 &amp; 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>						

The table above shows that the bank's proportion of lending to both low-income census tracts and moderate-income census tracts falls significantly below the aggregate data in 2017 and 2018. Additionally, the bank's proportion of lending to LMI census tracts is significantly below the demographic data in 2017 and 2018. In 2019, the bank's proportion of lending in low-income

census tracts improved, relative to the demographic data; however, the proportion of lending in moderate-income census tracts remains low compared to the demographic data.

***Small Farm Loans***

The geographic distribution of small farm loans reflects poor dispersion throughout the Sacramento AA. For comparison purposes, the following table shows the percentage of farms by census tract category.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: FNBD Sacramento AA</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	5.6	0	0	0	0
2018	5.4	0	0	0	0
2019	5.9	0	0	0	0
<b>Moderate</b>					
2017	19.4	0	0	0	0
2018	19.3	2	5.1	3	0
2019	19.9	1	3.3	105	1.9
<b>Middle</b>					
2017	34	22	78.6	3,886	59.7
2018	33.6	26	66.7	3,585	50
2019	31.9	20	66.7	2,247	41
<b>Upper</b>					
2017	40.5	6	21.4	2,622	40.3
2018	41.3	11	28.2	3,575	50
2019	41.7	9	30	3,125	57.1
<b>Not Available</b>					
2017	0.6	0	0	0	0
2018	0.5	0	0	0	0
2019	0.5	0	0	0	0
<b>Totals</b>					
<b>2017</b>	<b>100</b>	<b>28</b>	<b>100</b>	<b>6,508</b>	<b>100</b>
<b>2018</b>	<b>100</b>	<b>39</b>	<b>100</b>	<b>7,163</b>	<b>100</b>
<b>2019</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>5,477</b>	<b>100</b>

*Source: 2017, 2018 & 2019 D&B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0 percent.*

The table above shows that the bank did not originate or purchase any small farm loans in low-income census tracts. In reviewing the performance context, examiners found that a substantially majority of the low-income census tracts in the Sacramento AA are located within metropolitan areas. These

metropolitan low-income census tracts do not have farmland. Therefore, the bank's small farm performance in low-income areas is not weighted as heavily as the performance in moderate-income areas within the Sacramento AA.

Throughout 2017, 2018, and 2019, the prior table shows that the bank's proportion of loans to moderate-income census tracts falls significantly below the proportion of farms located in moderate-income census tracts. This low proportion of lending supports a poor rating for this criterion.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Sacramento AA, demonstrates reasonable penetration among individuals of different income levels and businesses of different revenue sizes. FNBD's performance in this AA is consistent with the bank's overall performance. The bank's reasonable performance is primarily supported by reasonable small business lending. The bank's home mortgage lending reflects a poor borrower profile, while the small farm lending reflects an excellent borrower profile. Small business loans carry greater weight in the analysis.

### ***Small Business Loans***

The distribution of small business loan borrowers reflects, given the demographics of the Sacramento AA, reasonable penetration among businesses of different revenue sizes.

For comparison purposes, the percentage of businesses reporting GARs of \$1.0 million or less is also illustrated in the table below:

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: FNBD Sacramento AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	85.2	58	37.7	13,476	29.7
2018	85.0	66	44.3	14,212	31.5
2019	86.8	63	47.7	12,718	34.6
<b>&gt;1,000,000</b>					
2017	4.9	96	62.3	31,867	70.3
2018	4.8	82	55.0	30,791	68.3
2019	4.2	68	51.5	24,065	65.4
<b>Revenue Not Available</b>					
2017	9.9	0	0.0	0	0.0
2018	10.2	1	0.7	51	0.2
2019	9.0	1	0.8	5	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>154</b>	<b>100.0</b>	<b>45,343</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>45,054</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>36,788</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The table above includes D&B demographic data showing the distribution of total businesses in the AA. The D&B data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. As such, the D&B data is primarily considered an indicator of business demographics in the AA and is not considered an absolute distribution of credit needs or commercial lending opportunities.

While the bank's performance is below the D&B business demographic data, the bank consistently increased its proportion of lending to small businesses throughout the review period. The bank's improving performance also outpaced the slightly rising trend in the D&B demographics. The bank's positive trending borrower profile performance is especially apparent when comparing against the bank's performance at its previous evaluation. At the prior evaluation, the bank's proportion of loans to small businesses was 29.3 percent and 37.0 percent in 2015 and 2016, respectively. The bank's proportion of loans made to small businesses is now 37.7 percent, 44.3 percent, and 47.7 percent in 2017, 2018, and 2019, respectively. The upward trend since 2015 demonstrates the bank's commitment to lend to small businesses.

For additional performance context, examiners considered the performance of other large bank lenders in the area. Large banks are required to report their CRA loans which are compiled in an

aggregate data set. As of the date of the evaluation, aggregate data is available for 2017 and 2018. The aggregate data shows that large bank lenders also originate a smaller proportion of loans to small businesses when compared to the D&B demographic data. In 2017 and 2018, the aggregate data reports that large banks made 50.7 percent and 46.2 percent of their small business loans to businesses with GARs of \$1.0 million or less in the Sacramento AA. The proportion of lending reflected in the aggregate data is also below the demographic data, which shows that 85.2 percent and 85.0 percent of businesses in the area have GARs of \$1.0 million or less in 2017 and 2018, respectively.

### ***Home Mortgage Loans***

The distribution of home mortgage borrowers reflects, given the demographics of the Sacramento AA, poor penetration among individuals of different income levels. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of home mortgage credit needs and lending opportunities in the Sacramento AA.

For comparison purposes, aggregate lending data and the distribution of families by income level is also illustrated in the table below:

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: FNBD Sacramento AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	24.2	3.5	1	1.6	61	0.3
2018	24.2	4.4	0	0.0	0	0.0
2019	24.2	--	3	3.5	380	1.0
<b>Moderate</b>						
2017	16.5	14.6	6	9.5	1,363	6.8
2018	16.5	14.1	4	8.5	590	3.4
2019	16.5	--	13	15.3	2,380	6.3
<b>Middle</b>						
2017	18.3	23.1	16	25.4	4,006	20.1
2018	18.3	22.7	6	12.8	2,125	12.3
2019	18.3	--	21	24.7	6,064	16.1
<b>Upper</b>						
2017	40.9	45.8	35	55.6	12,628	63.4
2018	40.9	44.3	36	76.6	14,234	82.2
2019	40.9	--	39	45.9	15,768	41.9
<b>Not Available</b>						
2017	0.0	13.0	5	7.9	1,867	9.4
2018	0.0	14.5	1	2.1	372	2.1
2019	0.0	--	9	10.6	13,042	34.7
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>19,925</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>17,321</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>85</b>	<b>100.0</b>	<b>37,634</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2019 Bank Data, 2017 &amp; 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>						

The bank's proportion of lending to LMI people is significantly below aggregate data in both 2017 and 2018. The lending in 2017 and 2018 is also significantly below the ACS demographic data. In 2019, FNBD improved its proportion of lending to LMI borrowers; however, this improvement is not significant enough to make up for the performance in 2017 and 2018. The bank's 85 home-mortgage loans in 2019 account for 43.6 percent of the bank's home-mortgage lending in the Sacramento AA. The poor performance in 2017 and 2018 represents 56.3 percent of its home-mortgage loans in Sacramento, which is the majority of the loans.

**Small Farm Loans**

The distribution of small farm borrowers reflects, given the demographics of the Sacramento AA, excellent penetration among farms of different revenue sizes. For comparison purposes, the percentage of farms reporting GARs of \$1.0 million or less is also included in the table below.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: FNBD Sacramento AA</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	94.0	15	53.6	3,675	56.5
2018	93.6	34	87.2	5,998	83.7
2019	94.3	26	86.7	4,077	74.4
<b>&gt;1,000,000</b>					
2017	3.6	7	25.0	2,827	43.4
2018	3.9	5	12.8	1,165	16.3
2019	3.5	4	13.3	1,400	25.6
<b>Revenue Not Available</b>					
2017	2.4	6	21.4	6	0.1
2018	2.5	0	0.0	0	0.0
2019	2.2	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>6,508</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>7,163</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,477</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The table above shows that the bank’s proportion of lending to small farms remained high during the majority of the review period. The proportion of lending increased from 53.6 percent in 2017 up to 87.2 percent in 2018. The proportion of lending to small farms also remained high at 86.7 percent in 2019. These percentages are just below the proportion of small farms reported by the D&B demographics data. The D&B data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. Considering this context, the bank’s performance is excellent in relation to the D&B demographic data.



## COMMUNITY DEVELOPMENT TEST

FNBD’s Community Development Test performance demonstrates excellent responsiveness to CD needs in its Sacramento AA through CD loans, qualified investments, and CD services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

The Community Development Test performance in the Sacramento AA is consistent with the bank’s overall Community Development Test performance.

### Community Development Loans

FNBD originated 479 CD loans totaling approximately \$229.3 million within the Sacramento AA. This level of activity represents 72.9 percent of the total CD loans made by dollar volume. The total also represents approximately 19.4 percent of average total assets and 32.0 percent of average total loans since the previous evaluation. Of the 479 CD loans in the Sacramento AA, 1.6 percent totaling approximately \$3.6 million support affordable housing; 3.1 percent totaling approximately \$7.1 million support community service; 2.3 percent totaling approximately \$5.2 million support economic development; and 93.1 percent totaling approximately \$213.4 million support revitalization and stabilization efforts. These loans demonstrate the bank’s responsiveness to the CD needs identified by the community contacts.

The following table shows the bank’s CD loans in the Sacramento AA by year:

Community Development Lending in the Sacramento AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Part-year 2017	0	0	4	1,691	1	1,073	12	19,268	17	22,032
2018	0	0	1	2,500	1	4,119	12	40,900	14	47,519
2019	3	3,575	3	2,949	0	0	11	33,900	17	40,424
YTD 2020	0	0	0	0	0	0	431	119,335	431	119,335
<b>Total</b>	<b>3</b>	<b>3,575</b>	<b>8</b>	<b>7,140</b>	<b>2</b>	<b>5,192</b>	<b>466</b>	<b>213,403</b>	<b>479</b>	<b>229,310</b>

*Source: Bank Data*

Below are notable examples of the bank’s CD loans in the Sacramento AA:

- In 2020, FNBD originated 431 revitalization and stabilization loans for a total of approximately \$119.3 million. The 431 loans are PPP loans which the bank originated in response to the COVID-19 pandemic. The loans met an identified CD need to provide temporary financing for businesses during a period of reduced cash flow which resulted from a national emergency.
- In 2019, the bank originated a \$3.1 million affordable housing loan. The loan financed the construction of 14 affordable housing units in a moderate-income area of Sacramento, California. This loan met an identified CD need for loans in support of affordable housing.

- In 2018, the bank originated a \$4.1 million economic development loan. The loan proceeds allowed a small business to build a gas station, which also created permanent jobs for LMI individuals. This loan met an identified CD need to provide loans to small businesses.

### **Qualified Investments**

FNBD made one new qualified investment and held two qualified investments from the previous evaluation within the Sacramento AA. The qualified investments and donations in this AA total approximately \$2.9 million. This total includes qualified equity investments of approximately \$2.8 million and donations of \$122,000. The total dollar amount equates to 0.2 percent of average total assets and 1.0 percent of average total securities since the previous evaluation.

The new qualified investment, which totaled \$500,000, benefitted community service efforts in the Sacramento AA. The following table shows the bank’s CD investments and donations in the Sacramento AA by year:

<b>Qualified Investments and Donations in the Sacramento AA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	1	1,539	1	820	0	0	0	0	<b>2</b>	2,359
Part-year 2017	0	0	0	0	0	0	0	0	<b>0</b>	0
2018	0	0	0	0	0	0	0	0	<b>0</b>	0
2019	0	0	1	500	0	0	0	0	<b>1</b>	500
YTD 2020	0	0	0	0	0	0	0	0	<b>0</b>	0
<b>Subtotal</b>	<b>1</b>	<b>1,539</b>	<b>2</b>	<b>1,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2,859</b>
Qualified Grants & Donations	3	3	72	104	6	15	0	0	<b>81</b>	<b>122</b>
<b>Total</b>	<b>4</b>	<b>1,542</b>	<b>74</b>	<b>1,424</b>	<b>6</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>84</b>	<b>2,981</b>
<i>Source: Bank Data</i>										

Below are notable examples of the bank’s CD investments and donations in the Sacramento AA:

- In 2019, the bank purchased a \$500,000 bond which supports community service. The investment was for a school bond designed to finance construction of new classrooms, as well as the repair and modernization of existing classrooms. The funds primarily benefit LMI individuals, as a majority of the students within the school district qualify for free and reduced lunches.
- In 2018, the bank made a \$2,500 donation to support an affordable housing non-profit. The money was used to support home repair projects targeted to LMI individuals in the Sacramento AA. This donation supports an identified CD need for affordable home repair targeted to LMI people.

- In 2017, the bank made a \$10,000 community service donation to a local non-profit food bank. The proceeds were used to provide meals to LMI people in the Sacramento AA.

**Community Development Services**

During the evaluation period, bank employees, managers, and board members provided 88 instances of financial expertise or technical assistance for a total of 440.5 hours, to individuals and organizations within the Sacramento AA.

The following table shows the bank’s CD service hours in the Sacramento AA by year:

<b>Community Development Service Hours in the Sacramento AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>
Part-year 2017	17.5	110.0	0.0	2.5	<b>130.0</b>
2018	2.5	94.0	0.0	12.0	<b>108.5</b>
2019	0.0	194.5	3.0	4.5	<b>202.0</b>
YTD 2020	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>20.0</b>	<b>398.5</b>	<b>3.0</b>	<b>19.0</b>	<b>440.5</b>
<i>Source: Bank Data</i>					

Below are notable examples of the bank’s CD services in the Sacramento AA:

- In 2019, a bank employee provided 3.0 hours of financial education and mentoring to small businesses in the Sacramento AA. The volunteer hours support an identified CD need for economic development, specifically financial training for small businesses.
- In 2019, a bank employee provided 34.0 hours of community services by serving on the Board of a non-profit organization that provides meals and temporary shelter to LMI people in Placer County. The non-profit serves a rural portion of the community, and the bank’s community service volunteer work in this rural area is notable. According to discussions with community contacts, rural portions of the community are more difficult to serve as they are smaller and a more dispersed population.
- In 2017, a bank employee volunteered 3.5 hours in support of affordable housing CD needs. The employee partnered with a local non-profit to provide financial guidance and fundraising efforts to support home repair projects for LMI people. The volunteer hours address an identified CD need for home repair assistance targeted to LMI people

## **SOLANO AA – Full-Scope Review**

### **CRA RATING FOR THE SOLANO AA: SATISFACTORY**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SOLANO AA**

The bank is headquartered in the Solano AA; however, this AA contains less of the bank’s business activity when compared to the Sacramento AA. The following bullet points highlight the proportion of the bank’s operations found within the Solano AA:

- 27.3 percent of the bank’s full-service branches;
- 33.3 percent of the bank’s ATMs;
- 30.8 percent of the bank’s deposits;
- 23.3 percent of the bank’s small business loans;
- 29.1 percent of the bank’s mortgage loans;
- 17.5 percent of the bank’s small farm loans;
- 16.4 percent of the bank’s CD loans by dollar;
- 0.5 percent of the bank’s CD investments and donations by dollar;
- 76.5 percent of the bank’s CD service hours; and
- 12.0 percent of the population throughout the bank’s AAs.

The Solano AA includes a portion of the Vallejo, California, MSA #46700. This AA includes Solano County, excluding census tracts in the cities of Vallejo and Benicia, which are on the western edge of the county.

#### **Economic and Demographic Data**

The bank’s Solano AA includes 57 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 3 low-income census tracts,
- 15 moderate-income census tracts,
- 23 middle-income census tracts,
- 15 upper-income census tracts, and
- 1 census tract with no income designation.

The three low-income census tracts are new since the previous evaluation.

The following table illustrates select demographic characteristics of the Solano AA:

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: FNBD Solano AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	57	5.3	26.3	40.4	26.3	1.8
Population by Geography	277,471	3.5	24.2	40.7	29.2	2.4
Housing Units by Geography	96,350	3.2	24.3	43.1	29.4	0.0
Owner-Occupied Units by Geography	55,389	1.6	16.4	44.8	37.2	0.0
Occupied Rental Units by Geography	35,622	5.2	36.2	40.3	18.3	0.0
Vacant Units by Geography	5,339	5.7	27.9	44.5	22.0	0.0
Businesses by Geography	17,277	5.6	23.6	34.9	35.8	0.1
Farms by Geography	604	1.0	13.9	43.2	41.9	0.0
Family Distribution by Income Level	67,787	20.7	17.2	20.0	42.0	0.0
Household Distribution by Income Level	91,011	21.7	15.4	18.8	44.1	0.0
Median Family Income MSA - #46700 Vallejo, CA MSA		\$77,061	Median Housing Value			\$281,300
			Median Gross Rent			\$1,361
			Families Below Poverty Level			9.3%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to Moody’s Analytics, the leading industries (by percentage of total employment) within the Solano AA are education and health services, government, and retail trade.

According to the 2019 D&B data, there were 17,277 businesses operating in the bank’s Solano AA. GARs for these businesses show that:

- 86.8 percent have \$1.0 million or less;
- 3.6 percent have more than \$1.0 million; and
- 9.6 percent have unknown revenues.

According to the 2019 D&B data, there were 604 farms operating in the bank’s Solano AA. GARs for these farms show that:

- 94.9 percent have \$1.0 million or less;
- 4.0 percent have more than \$1.0 million; and
- 1.1 percent have unknown revenues.

The Solano AA’s median housing value of \$281,300 is higher than the national median housing value of \$204,900, as reported by the ACS.

The area's 2019 HUD estimated Median Family Income is \$77,061, which is higher than the national median of \$75,500. The ACS data also reports that 9.3 percent of total families in the AA have incomes below the poverty level. Data from the U.S. Bureau of Labor Statistics shows an improving trend in the unemployment rate from 4.8 percent in 2017 to 4.0 percent in 2018, and 3.8 percent in 2019. The 2019 unemployment rate in the Solano AA is generally consistent with the national average (3.7 percent), and slightly below the Californian average (4.0 percent).

### **Competition**

The bank's Solano AA is a moderately competitive area for financial services. In the Solano AA, there are 13 institutions that operate 56 branch offices. Of these institutions, FNBD ranks 5<sup>th</sup> with a 6.9 percent deposit market share according to the FDIC's June 30, 2019 Summary of Deposits. Throughout the AA, FNBD competes for business with large national banks, regional banks, and other community banks. The bank also competes with credit unions, which are not reflected in the FDIC Summary of Deposits data.

According to the 2018 Peer Mortgage Data, FNBD ranked 62<sup>nd</sup> out of 328 lenders, with a mortgage market share of 0.3 percent by loan number.

### **Community Contacts**

Examiners contacted two organizations with operations in the Greater Sacramento area, which includes the Solano AA. Please refer to the overall Description of the Assessment Area for a summary of the Solano AA's community needs, opportunities, and performance context that was identified by the community contacts.

### **Credit and Community Development Needs and Opportunities**

The Solano AA has a need for economic development loans and outreach, affordable housing loans and outreach, and activities that revitalize and stabilize disaster areas. The Solano AA's credit and CD needs and opportunities are consistent with the overall needs and opportunities discussed in the overall Description of the Assessment Areas. Please refer to the Credit and Community Development Needs and Opportunities subheading under the overall Description of the Assessment Areas for a detailed description of the needs and opportunities.

## **SCOPE OF EVALUATION – SOLANO AA**

The current evaluation uses full-scope procedures in the Solano AA. Examiners placed less weight on the Solano AA compared to the Sacramento AA based on FNBD's distribution of deposits, branches, loans, and CD activity. The Solano AA represents a smaller geographic area, has a smaller population, and includes less of the bank's branches and activities. The Solano AA Lending Test analysis also places greater weight on small business loans, because these products represent a larger portion of the bank's lending. Please refer to the overall Scope of Evaluation for additional data to support the decision to weight the Sacramento AA and small business products more heavily.

The Lending Test analysis within the Solano AA weights the borrower profile slightly more than the geographic distribution, because there is less opportunity to lend to LMI census tracts compared to the opportunity to lend to smaller businesses and LMI people. The Solano AA contains 3 low-income census tracts and 15 moderate-income census tracts.

According to the 2019 D&B and 2015 ACS data, the Solano AA has 14,996 small businesses operating in the AA. After expanding the data to include businesses of all sizes and then focusing on the number of these businesses located in LMI areas, the D&B data reports that there are 5,045 businesses of all sizes operating in the LMI areas.

According to the 2015 ACS data, the Solano AA has 25,759 LMI families living in the AA. After expanding the data to include families of all income levels and then focusing on the number of these families located in LMI areas, the ACS data reports that there are 25,691 families of all income levels living in the LMI areas.

According to the 2019 D&B data, the Solano AA has 573 small farms operating in the AA. After expanding the data to include farms of all sizes and then focusing on the number of these farms located in LMI areas, the D&B data reports that there are 90 farms of all sizes operating in the LMI areas.

Given the greater number of smaller business and LMI families throughout the entire Solano AA, the Lending Test weights the borrower profile slightly more than the geographic distribution.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SOLANO AA**

### **LENDING TEST**

FNBD demonstrated satisfactory performance under the Lending Test in the Solano AA. In the Solano AA, the borrower profile is weighted slightly more than the geographic distribution when assessing the bank's Lending Test performance, because there is less opportunity to lend to LMI census tracts compared to the opportunity to lend to smaller businesses and LMI people. The geographic distribution reflects poor dispersion to LMI areas, while the borrower profile reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes. Given the volume of activity, small business loans have greater weight in the evaluation than the home mortgage and small farm loans. The bank does not have a significant number of small farm loans in the Solano AA; therefore, small farm loans do not meaningfully affect the Lending Test Rating in the Solano AA.

The Lending Test performance in the Solano AA is consistent with the bank's overall Lending Test performance.

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the Solano AA. The bank's performance in small business, home mortgage, and small farm lending supports this conclusion.

**Small Business Loans**

The geographic distribution of small business loans reflects poor dispersion throughout the Solano AA. For comparison purposes, the following table shows the percentage of businesses by census tract category:

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: FNBD Solano AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	5.5	0	0.0	0	0.0
2018	5.8	0	0.0	0	0.0
2019	5.6	0	0.0	0	0.0
<b>Moderate</b>					
2017	23.4	7	13.5	2,479	11.3
2018	23.6	8	19.0	1,234	10.9
2019	23.6	6	11.3	685	5.4
<b>Middle</b>					
2017	35.8	34	65.4	15,025	68.7
2018	35.3	23	54.8	8,400	74.1
2019	34.9	38	71.7	9,398	74.1
<b>Upper</b>					
2017	35.2	11	21.1	4,356	19.9
2018	35.3	11	26.2	1,702	15.0
2019	35.8	9	17.0	2,603	20.5
<b>Not Available</b>					
2017	0.1	0	0.0	0	0.0
2018	0.1	0	0.0	0	0.0
2019	0.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>21,860</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,336</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>12,686</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The bank did not originate or purchase any loans in low-income census tracts in the Solano AA. Examiners considered the performance context in the Solano AA to assess the lending opportunities. The Solano AA includes three low-income census tracts. The D&B demographic data reports that the three low-income census tracts contain 5.5 percent, 5.8 percent, and 5.6 percent of the Solano AA’s businesses in 2017, 2018, and 2019, respectively. Examiners also considered the performance of other large bank lenders in the area. Large banks are required to report their



CRA loans which are compiled in an aggregate data set. As of the time of the evaluation, aggregate data is available for 2017 and 2018. The aggregate data shows that there is lending opportunity in the low-income areas. In 2017 and 2018, the aggregate data reports that large banks made 4.2 percent and 3.7 percent of their small business loans within low-income areas in the Solano AA. FNBD did not make any small business loans in low-income areas inside the Solano AA.

In 2017, 2018, and 2019, FNBD made 13.5 percent, 19.0 percent, and 11.3 percent of its Solano AA small business loans in moderate-income census tracts. The bank's dispersion of loans in 2017 and 2019 is significantly below the proportion of businesses located in moderate-income census tracts at 23.4 percent and 23.6 percent, respectively. The bank's performance in 2018 is better than the two other years; however, it is also below the 2018 business demographics of 23.6 percent. The aggregate data shows that there is lending opportunity in the moderate-income areas. In 2017 and 2018, the aggregate data reports that large banks made 21.9 percent and 21.8 percent of their small business loans within moderate-income areas in the Solano AA. The bank has a low proportion of small business loans to LMI census tracts during the majority of the review period, which supports a poor rating.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor dispersion throughout the Solano AA. For comparison purposes, aggregate lending data and the distribution of owner-occupied housing units by census tract income level is also illustrated in the following table. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the home mortgage credit needs and lending opportunities in the Solano AA.

The following table shows the percentage of owner-occupied housing units, the aggregate data, and the bank's proportion of home mortgage lending by census tract category:

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: FNBD Solano AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	1.6	1.8	0	0.0	0	0.0
2018	1.6	1.7	0	0.0	0	0.0
2019	1.6	--	3	6.8	713	5.2
<b>Moderate</b>						
2017	16.4	16.9	1	3.3	188	1.8
2018	16.4	16.6	0	0.0	0	0.0
2019	16.4	--	3	6.8	715	5.3
<b>Middle</b>						
2017	44.8	44.3	17	56.7	4,121	40.1
2018	44.8	44.1	21	72.4	5,886	63.8
2019	44.8	--	22	50.0	6,664	49.0
<b>Upper</b>						
2017	37.2	36.9	12	40.0	5,959	58.0
2018	37.2	37.5	8	27.6	3,339	36.2
2019	37.2	--	16	36.4	5,501	40.5
<b>Not Available</b>						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>10,268</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>9,225</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>13,593</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2019 Bank Data, 2017 &amp; 2018 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0 percent.</i>						

The table above shows that the bank's proportion of lending to both low-income census tracts and moderate-income census tracts falls significantly below the aggregate data in 2017 and 2018. Additionally, the bank's proportion of lending to LMI census tracts is significantly below the demographic data in 2017 and 2018. In 2019, the bank's proportion of lending in low-income census tracts improved, relative to the demographic data; however, the proportion of lending in moderate-income census tracts remains low compared to the demographic data. The bank has a low proportion of home mortgage loans to LMI census tracts during the majority of the review period, which supports a poor rating.

### Small Farm Loans

The geographic distribution of small farm loans reflects poor dispersion throughout the Solano AA. For comparison purposes, the following table shows the percentage of farms by census tract category:

Geographic Distribution of Small Farm Loans					
Assessment Area: FNBD Solano AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2017	0.5	0	0.0	0	0.0
2018	0.5	0	0.0	0	0.0
2019	1.0	0	0.0	0	0.0
Moderate					
2017	12.9	0	0.0	0	0.0
2018	13.8	0	0.0	0	0.0
2019	13.9	0	0.0	0	0.0
Middle					
2017	44.5	10	90.9	1,792	90.0
2018	44.6	6	85.7	2,057	100.0
2019	43.2	9	75.0	2,874	78.2
Upper					
2017	42.1	1	9.1	200	10.0
2018	41.1	1	14.3	1	0.0
2019	41.9	3	25.0	801	21.8
Not Available					
2017	0.0	0	0.0	0	0.0
2018	0.0	0	0.0	0	0.0
2019	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1,992</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>2,058</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3,675</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>					

The table above shows that the bank did not originate or purchase any small farm loans in low-income census tracts. In reviewing the performance context, examiners found that the Solano AA only has three low-income census tracts, which are all located in urban areas. These three urban low-income census tracts do not contain farmland. Therefore, the bank's small farm performance in low-income areas is not given much weight in the analysis. Instead, examiners focused on the bank's performance in moderate-income census tracts in the Solano AA.

The data shows that the bank did not originate any small farm loans in moderate income census tracts throughout the review period. Given the absence of lending activity, examiners considered the performance context in the Solano AA to understand the lending opportunities. The Solano AA includes 15 moderate-income census tracts. Most of the moderate-income census tracts are in urban areas; however, there are some moderate-income tracts with farmland on the outer edge of Fairfield, California, and Vacaville, California. As part of this analysis, examiners also considered aggregate lending data that is reported by large banks. As of the time of the evaluation, aggregate data is available for 2017 and 2018. The aggregate data shows that there is some lending opportunity, but it is limited. In 2017, the aggregate data reports that large banks made 3.6 percent of their small farm loans within moderate-income areas in the Solano AA. In 2018, the aggregate data reports that large banks did not make any of their small farm loans in the Solano AA.

While the opportunities are limited; there is still some need for small farm loans in moderate-income areas. The bank did not make any small farm loans in the Solano AA's moderate-income census tracts throughout the review period, which supports a poor rating.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Solano AA, reasonable penetration among individuals of different income levels and businesses of different revenue sizes. The bank's performance in small business, home mortgage, and small farm lending supports this conclusion.

### ***Small Business Loans***

The distribution of small business loan borrowers reflects, given the demographics of the Solano AA, reasonable penetration among businesses of different revenue sizes.

For comparison purposes, the percentage of businesses reporting GARs of \$1.0 million or less is also illustrated in the table below:

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: FNBD Solano AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	85.8	16	30.8	2,195	10.0
2018	85.7	19	45.2	1,967	17.4
2019	86.8	24	45.3	2,084	16.4
<b>&gt;1,000,000</b>					
2017	4.0	36	69.2	19,665	90.0
2018	4.0	23	54.8	9,369	82.6
2019	3.6	28	52.8	10,577	83.4
<b>Revenue Not Available</b>					
2017	10.2	0	0.0	0	0.0
2018	10.3	0	0.0	0	0.0
2019	9.6	1	1.9	25	0.2
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>21,860</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,336</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>12,686</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The table above includes D&B demographic data showing the distribution of total businesses in the AA. The D&B data is primarily considered an indicator of business demographics in the AA and is not considered an absolute distribution of credit needs or commercial lending opportunities.

While the bank's performance trails the D&B demographic data, the bank consistently increased its proportion of lending to small businesses throughout the review period. In an effort to better understand the area's lending opportunities, examiners also consider the performance context information offered by the large bank aggregate lending data. The aggregate data is not directly comparable to the bank's performance; however, it does provide information about lending opportunities. Within the Solano AA in 2017 and 2018, the large bank lenders made 48.7 percent and 45.6 percent of their small business loans to businesses with GARs of \$1.0 million or less. This indicates that the opportunity for safe and sound loans is significantly below the business demographics as reported by D&B. The bank's proportion of lending to small businesses is reasonable in light of the opportunity to make safe and sound loans to small businesses.

## Home Mortgage Loans

The distribution of home mortgage borrowers reflects, given the demographics of the Solano AA, reasonable penetration among individuals of different income levels. For comparison purposes, aggregate lending data and the distribution of families by income level is also illustrated in the table below. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of home mortgage credit needs and lending opportunities in the Solano AA.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: FNBD Solano AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	20.7	2.9	2	6.7	324	3.2
2018	20.7	2.9	1	3.4	409	4.4
2019	20.7	--	2	4.5	225	1.7
Moderate						
2017	17.3	13.0	2	6.7	447	4.4
2018	17.3	11.1	2	6.9	379	4.1
2019	17.3	--	8	18.2	2,070	15.2
Middle						
2017	20.0	26.2	6	20.0	1,350	13.1
2018	20.0	24.8	10	34.5	2,655	28.8
2019	20.0	--	9	20.5	2,367	17.4
Upper						
2017	42.0	43.7	18	60.0	7,573	73.8
2018	42.0	45.4	15	51.7	5,533	60.0
2019	42.0	--	19	43.2	7,099	52.2
Not Available						
2017	0.0	14.3	2	6.6	574	5.5
2018	0.0	15.8	1	3.5	249	2.7
2019	0.0	--	6	13.6	1,833	13.5
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>10,268</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>9,225</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>13,594</b>	<b>100.0</b>
Source: 2015 ACS Census; 1/1/2017 - 12/31/2019 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

In 2017 and 2018, FNBD's proportion of lending to low-income individuals significantly trails the demographics; however, the bank's performance in the low-income category exceeds the aggregate data in both years. In 2019, the bank's proportion of home-mortgage lending to low-income individuals is generally consistent with its performance in 2017 and 2018.

In 2017 and 2018, the bank’s lending to moderate-income individuals trails both the demographic data and aggregate data; however, the performance significantly improves in 2019. In 2019, the bank’s proportion of lending to moderate-income borrowers is 18.2 percent, which exceeds the demographic data of 17.3 percent.

***Small Farm Loans***

The distribution of small farm borrowers reflects, given the demographics of the Solano AA, reasonable penetration among farms of different revenue sizes. For comparison purposes, the percentage of farms reporting GARs of \$1.0 million or less is also included in the table below.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: FNBD Solano AA</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	93.9	8	72.7	907	45.5
2018	94.2	4	57.1	766	37.2
2019	94.9	4	33.3	591	16.1
<b>&gt;1,000,000</b>					
2017	4.3	3	27.3	1,085	54.5
2018	4.3	3	42.9	1,292	62.8
2019	4.0	8	66.7	3,084	83.9
<b>Revenue Not Available</b>					
2017	1.8	0	0.0	0	0.0
2018	1.5	0	0.0	0	0.0
2019	1.2	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1,992</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>2,058</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3,675</b>	<b>100.0</b>
<i>Source: 2017, 2018 &amp; 2019 D&amp;B Data; 1/1/2017 - 12/31/2019 Bank Data; "--" data not available.</i>					
<i>Due to rounding, totals may not equal 100.0 percent.</i>					

The table above includes D&B demographic data showing the distribution of total businesses in the AA. The D&B data is primarily considered an indicator of business demographics in the AA and is not considered an absolute distribution of credit needs or commercial lending opportunities.

The bank’s performance trails the D&B business demographic data in all three years. In an effort to better understand the area’s lending opportunities, examiners also consider the performance context information that is offered by the large bank aggregate lending data. The aggregate data is not directly comparable to the bank’s performance; however, it does provide information about safe and sound small farm lending opportunities. Within the Solano AA in 2017 and 2018, the large bank lenders made 55.4 percent and 48.2 percent of their small farm loans to farms with GARs of \$1.0

million or less. This indicates that the opportunity for safe and sound loans is significantly below the business demographics as reported by D&B.

In 2017, 2018, and 2019, the bank’s proportion of lending to small farms of 72.7 percent, 57.1 percent, and 33.3 percent, respectively. This performance is reasonable when considering that the opportunity for safe and sound small farm loans is lower than the demographic data.

**COMMUNITY DEVELOPMENT TEST**

FNBD’s Community Development Test performance demonstrates adequate responsiveness to CD needs in its Solano AA through CD loans, qualified investments, and CD services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

The Community Development Test performance in the Solano AA is below the bank’s overall Community Development Test performance.

**Community Development Loans**

FNBD originated 164 CD loans totaling approximately \$51.5 million within the Solano AA. This level of activity represents 15.8 percent of the total CD loans made by dollar volume. The total also represents approximately 4.2 percent of average total assets and 6.9 percent of average total loans since the previous evaluation. Of the 164 CD loans in the Solano AA, 0.4 percent totaling \$200,000 support affordable housing; 11.9 percent totaling approximately \$6.2 million support community service; and 87.7 percent totaling approximately \$45.1 million support revitalization and stabilization efforts. These loans demonstrate the bank’s responsiveness to the CD needs identified by the community contacts.

The following table shows the bank’s CD loans in the Solano AA by year:

Community Development Lending in the Solano AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Part-year 2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	1	5,050	0	0	0	0	1	5,050
2019	1	200	1	1,100	0	0	0	0	2	1,300
YTD 2020	0	0	0	0	0	0	161	45,144	161	45,144
<b>Total</b>	<b>1</b>	<b>200</b>	<b>2</b>	<b>6,150</b>	<b>0</b>	<b>0</b>	<b>161</b>	<b>45,144</b>	<b>164</b>	<b>51,494</b>

*Source: Bank Data*



Below are notable examples of the bank’s CD loans in the Solano AA:

- In 2020, FNBD originated 161 revitalization and stabilization loans for a total of approximately \$45.1 million. The 161 loans are PPP Loans which the bank originated in response to the COVID-19 pandemic. The loans met an identified CD need to provide temporary financing for businesses during the period of economic slow-down which resulted from a national emergency.
- In 2019, FNBD originated a \$200,000 affordable housing loan to a non-profit organization. The loan proceeds were used to build a new affordable home for a low-income family in the Solano AA. This loan met an identified CD need for loans in support of affordable housing.

### **Qualified Investments**

FNBD did not make any qualified investments within the Solano AA; however, the bank did provide donations. The qualified donations in this AA total approximately \$35,000. The total dollar amount equates to less than 0.1 percent of average total assets and less than 0.1 percent of average total securities since the previous evaluation.

The following table shows the bank’s CD investments and donations in the Solano AA by year:

<b>Qualified Investments and Donations in the Solano AA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0
Part-year 2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Qualified Grants & Donations	1	5	21	28	3	2	0	0	25	35
<b>Total</b>	<b>1</b>	<b>5</b>	<b>21</b>	<b>28</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>35</b>
<i>Source: Bank Data. Totals may not add to 100.0 percent due to rounding.</i>										

Below are notable examples of the bank’s CD donations in the Solano AA:

- In 2019, the bank made a \$5,000 affordable housing donation to a non-profit homeless shelter which provides temporary housing to LMI individuals in the Solano AA. The funds primarily support affordable housing needs, while also offering some financial education to help LMI individuals become self-sufficient. The donation meets an identified CD need to support affordable housing, as well as financial education for individuals in transitional housing.
- In 2018, the bank made a \$10,000 community service donation to a local non-profit food bank. The proceeds were used to provide meals to LMI individuals in the Solano AA.

**Community Development Services**

During the evaluation period, bank employees, managers, and board members provided 63 instances of financial expertise or technical assistance for a total of 1,435.5 hours, to individuals and organizations within the Solano AA.

The following table shows the bank’s CD service hours in the Solano AA by year:

<b>Community Development Service Hours in the Solano AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>	<b># Hours</b>
Part-year 2017	0.0	326.5	12.0	0.0	<b>338.5</b>
2018	0.0	533.5	0.0	0.0	<b>533.5</b>
2019	0.0	551.5	0.0	12.0	<b>563.5</b>
YTD 2020	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>0.0</b>	<b>1,411.5</b>	<b>12.0</b>	<b>12.0</b>	<b>1,435.5</b>

*Source: Bank Data*

Below are notable examples of the bank’s CD services in the Solano AA:

- In two separate 6.0 hour sessions during 2017, a bank employee provided a total of 12.0 hours of financial education to small businesses in the Solano AA. The education primarily focused on financial planning, loan readiness, and how to prepare financial statements. The economic development volunteer hours met an identified CD need to provide financial education to small businesses.
- In 2018, a bank employee contributed 35 community service hours while serving on the Board of a non-profit organization. The non-profit provides job training and services to unemployed and underemployed individuals in the Solano AA.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
Sacramento AA	Satisfactory	Outstanding	Satisfactory
Solano AA	Satisfactory	Satisfactory	Satisfactory

## GLOSSARY

**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 metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and



rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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 lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a

population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.