

PUBLIC DISCLOSURE

April 3, 2017

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.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	5
Description of Combined Assessment Area	7
Conclusions on Performance Criteria in the Combined Assessment Area.....	12
Discriminatory or Other Illegal Credit Practices Review	26
Description of Sacramento Assessment Area	27
Conclusions on Performance Criteria in the Sacramento Assessment Area.....	31
Description of Solano Assessment Area.....	40
Conclusions on Performance Criteria in the Solano Assessment Area	43
Glossary	51

INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (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 neighborhoods, in a manner consistent with its resources and capabilities.

First Northern Bank of Dixon's (FNBD) satisfactory CRA performance under the Lending Test and outstanding performance in the Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated January 12, 2015 to the current evaluation dated April 3, 2017. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate FNBD's CRA performance. The procedures used for Intermediate Small Institutions, which are defined as those with assets of at least \$307 million as of December 31st of both of the prior 2 calendar years and less than \$1.226 billion as of December 31st of either of the prior 2 calendar years. As reported on the Consolidated Report of Condition and Income (Call Report), FNBD had total assets of \$1.045 billion and \$1.167 billion for year-end 2015 and 2016, respectively. The Interagency Intermediate Small Institution Examination Procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria:

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

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the AA

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.

Loan Products Reviewed

Examiners determined that the bank's major product lines are small business, home mortgage, and small farm loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating small business loans contributed more weight to the overall conclusions due to the larger loan volume when compared to home mortgage and small farm lending during 2015 and 2016. In addition, no other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. The following table illustrates the bank's originations over 2016 by loan type.

Loans Originated or Purchased in 2016				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	68,791	15.0	35	3.8
Secured by Farmland	15,840	3.5	18	2.0
1-4 Family Residential	67,576	14.7	299	32.6
Multi-Family (5 or more) Residential	4,975	1.1	3	0.3
Commercial Real Estate	109,368	23.9	72	7.8
Commercial and Industrial	142,188	31.0	336	36.6
Agricultural	48,103	10.5	83	9.0
Consumer	1,225	0.3	73	7.9
Other Loans	0	0.0	0	0.0
Total Loans	458,066	100.0	919	100.0
<i>Source: Bank Records January 1, 2016 through December 31, 2016</i>				
<i>Percentages may not add up to 100.0 percent due to rounding</i>				

The following table illustrates the bank's originations in 2015 by loan type.

Loans Originated or Purchased in 2015				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	32,323	8.9	21	2.6
Secured by Farmland	43,233	11.9	28	3.4
1-4 Family Residential	63,894	17.5	268	32.6
Multi-Family (5 or more) Residential	896	0.2	1	0.1
Commercial Real Estate	83,488	22.9	53	6.4
Commercial and Industrial	105,010	28.8	321	39.0
Agricultural	35,208	9.7	53	6.4
Consumer	744	0.2	78	9.5
Other Loans	0	0.0	0	0.0
Total Loans	364,796	100.0	823	100.0
<i>Source: Bank Records January 1, 2015 through December 31, 2015</i>				
<i>Percentages may not add up to 100.0 percent due to rounding</i>				

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. The bank was not required to report small business and small farm loan data as an Intermediate Small Institution; however, the bank elected to report the data voluntarily. This evaluation considered all small business and small farm loans reported on the bank's 2015 and 2016 CRA loan application registers (LARs). The bank originated 283 small business loans totaling \$88.8 million in 2015, and 223 small business loans totaling \$72.0 million in 2016. The bank originated 44 small farm loans totaling \$9.6 million in 2015, and 44 small farm loans totaling \$8.8 million in 2016. D&B data for 2015 and 2016 provided a standard of comparison for the small business and small farm loans.

In addition, this evaluation considered all home mortgage loans reported on the bank's 2015 and 2016 Home Mortgage Disclosure (HMDA) LARs. For 2015, the bank reported 162 loans totaling \$47.2 million, and for 2016, the bank reported 179 loans totaling \$52.2 million. For the Lending Test, examiners reviewed the number and dollar volume of small business,

home mortgage, and small farm loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses, individuals, and farms served.

For the Community Development Test, bank management has provided data on community development loans, qualified investments, and community development services since the previous evaluation dated January 12, 2015.

Multiple Assessment Areas

FNBD operates a network of 10 full-service branches within 2 AAs. As in the previous evaluation, FNBD continues to designate two separate AAs: the Sacramento AA and the Solano AA. The Sacramento AA includes Sacramento, Placer, and Yolo Counties. The Solano AA includes Solano County, except for the cities of Vallejo and Benicia. The bank’s CRA Rating is derived from its performance in the separate AAs.

The following table illustrates the loans, deposits, and branch network by AA:

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Sacramento AA	164,480	69.7	650,684	66.9	7	70.0
Solano AA	71,519	30.3	321,482	33.1	3	30.0
Total	235,999	100.0	972,166	100.0	10	100.0

Source: Bank Records; FDIC Summary of Deposits (June 30, 2016)

The bank’s activities in the Sacramento AA are weighed most heavily in this evaluation, given that the area contains a high percentage of the lending, deposits, and branch offices. As illustrated in the table above, approximately 66.9 percent of FNBD’s total deposits were taken in the Sacramento AA. Approximately 69.7 percent of the small business, home mortgage, and small farm loans originated in 2015 and 2016 within the bank’s combined AA, were located within the Sacramento AA. Within the Solano AA, 33.1 percent of total deposits were taken, and 30.3 percent of the total small business, home mortgage, and small farm loans were originated in 2015 and 2016.

This evaluation uses full-scope examination procedures to evaluate the bank’s performance in the Sacramento AA and the Solano AA. The overall conclusions in this evaluation are based on a variety of performance context factors that may affect the individual conclusions within each of the AAs. Refer to the sections of this evaluation that describe the bank’s performance within the specific AAs.

DESCRIPTION OF INSTITUTION

Background

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 Bancshares (FNC), a one-bank holding company also headquartered in Dixon. The institution received an overall “Satisfactory” rating at its previous FDIC Performance Evaluation, dated January 12, 2015, based on Interagency Intermediate Small Institution Examination Procedures. The overall rating was supported by a “Satisfactory” rating in the Lending Test, and an “Outstanding” rating in the Community Development Test.

Operations

FNBD operates 10 full-service branch offices in its AA in the central part of California. The bank operates four branches in Yolo County, three branches in Solano County, two branches in Placer County, and one branch in Sacramento County. Since the previous evaluation, the bank opened one new branch and relocated one branch. In May 2016, the bank opened a new branch located in a moderate-income census tract of Sacramento County. On the same date, the bank relocated a branch in Placer County within the same upper-income census tract of the previous branch. 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, primarily focused on commercial lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit.

Ability and Capacity

The bank’s Call Report, dated December 31, 2016, reflects approximately \$1.167 billion of total assets, \$1.066 billion in total deposits, and \$89.8 million in total equity capital. Total loans approximate \$669.8 million, or 57.4 percent of total assets. The loan portfolio is representative of the bank’s primary business focus that emphasizes commercial loans, followed by residential real estate loans, and farmland and agricultural loans. Commercial real estate and commercial/industrial loans represent 63.3 percent of the total loan portfolio, while residential real estate loans represent 16.5 percent. Farmland and agricultural loans represent 15.1 percent of the total loan portfolio, and consumer loans represent a nominal amount of 0.2 percent.

The following table illustrates the composition of the bank’s loan portfolio as of December 31, 2016.

Loan Portfolio Distribution as of December 31, 2016		
Loan Category	\$(000s)	%
Construction and Land Development	33,388	4.9
Secured by Farmland	57,080	8.5
1-4 Family Residential	86,073	12.8
Multi-family (5 or more) Residential	24,797	3.7
Commercial Real Estate	308,824	45.8
Total Real Estate Loans	510,162	75.7
Commercial and Industrial	117,576	17.5
Agricultural	44,824	6.6
Consumer	1,164	0.2
Other	68	0.0
Less: Unearned Income	0	0.0
Total Loans	673,794	100.0
<i>Source: Call Report as of 12/31/2016</i>		

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

DESCRIPTION OF COMBINED ASSESSMENT AREA

CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. FNBD designated two AAs: the Sacramento AA and the Solano AA. The Sacramento AA includes all of Sacramento, Yolo, and Placer Counties, which are located in the Sacramento-Roseville-Arden-Arcade, California Metropolitan Statistical Area (MSA) #40900. The Solano AA consists of 57 census tracts within the Vallejo-Fairfield, California MSA #46700. The Solano AA includes all portions of the MSA and Solano County, except for the cities of Benicia and Vallejo, which are located in the southwestern portion of the MSA. FNBD's AAs have not changed since the previous evaluation. The bank's combined AA consists of whole geographies, do not arbitrarily exclude any low- and moderate-income geographies or individuals, and meets the technical requirements of the CRA Regulation. The following sections discuss demographic and economic information for the combined AA.

Economic and Demographic Data

The combined AA includes 499 census tracts. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 37 low-income census tracts,
- 123 moderate-income census tracts,
- 191 middle-income census tracts,
- 146 upper-income census tracts, and
- 2 census tracts with no income designation.

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

Demographic Information of the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	499	7.4	24.6	38.3	29.3	0.4
Population by Geography	2,236,559	6.9	24.6	38.2	29.7	0.7
Housing Units by Geography	868,758	6.8	24.7	40.0	28.5	0.0
Owner-Occupied Units by Geography	492,675	3.7	18.9	41.3	36.1	0.0
Occupied Rental Units by Geography	301,530	11.4	33.3	37.6	17.6	0.0
Vacant Units by Geography	74,553	9.1	28.1	40.6	22.2	0.0
Businesses by Geography	141,409	7.0	22.0	39.4	31.6	0.0
Farms by Geography	3,777	3.6	16.2	47.6	32.6	0.0
Family Distribution by Income Level	532,675	22.2	17.3	20.3	40.2	0.0
Household Distribution by Income Level	794,205	23.7	16.8	18.6	40.9	0.0
Median Family Income MSA #40900 Sacramento-Roseville-Arden-Arcade, CA MSA		\$71,816	Median Housing Value			\$355,341
Median Family Income MSA #46700 Vallejo-Fairfield, CA MSA		\$77,321	Median Gross Rent			\$1,056
			Families Below Poverty Level			8.6%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i>						
<i>Percentages may not add up to 100.0 percent due to rounding</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2016 D&B data, there were 141,409 businesses in the combined AA. Gross annual revenues (GARs) for these businesses are below:

- 85.2 percent have \$1 million or less
- 4.8 percent have more than \$1 million
- 10.0 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. The service industry represents the largest portion of businesses located within the combined AA at 50.4 percent; followed by retail trade at 12.3 percent; finance, insurance, and real estate at 9.0 percent; and construction at 8.7 percent. In addition, 74.0 percent have 4 or fewer employees, and 89.2 percent operate from a single location. These figures indicate a reduced need for credit, which can effectively limit a financial institution's ability to lend to small businesses.

The 2015 and 2016 Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. As illustrated in the table above, the 2010 U.S. Census data reveals that 8.6 percent of families in the combined AA have incomes below the poverty level. This figure indicates a reduced capacity to borrow, which can effectively limit a financial institution's ability to lend. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

These categories are based on the 2015 and 2016 FFIEC-updated median family income levels.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Sacramento-Roseville-Arden-Arcade, CA MSA Median Family Income (40900)				
2015 (\$71,500)	<\$35,750	\$35,750 to <\$57,200	\$57,200 to <\$85,800	≥\$85,800
2016 (\$69,900)	<\$34,950	\$34,950 to <\$55,920	\$55,920 to <\$83,880	≥\$83,880
Vallejo-Fairfield, CA MSA Median Family Income (46700)				
2015 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
2016 (\$77,600)	<\$38,800	\$38,800 to <\$62,080	\$62,080 to <\$93,120	≥\$93,120
<i>Source: FFIEC</i>				

There are 868,758 total housing units in the combined AA. Of these, 56.7 percent are owner-occupied units, 34.7 percent are occupied rental units, and 8.6 percent are vacant units. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tracts without income designations.

Data obtained from the U.S. Bureau of Labor and Statistics (BLS) indicates that the average unemployment rate in California was 6.2 percent in 2015, and 5.4 percent in 2016. The following table illustrates the annual average unemployment rates.

Unemployment Rates		
Area	2015	2016
	%	%
Sacramento AA	5.9	5.3
Solano AA	6.1	5.4
California	6.2	5.4
National Average	5.3	4.9
<i>Source: BLS</i>		

As illustrated above, the unemployment rate has improved in both areas. In the Sacramento AA, the unemployment rate decreased from 5.9 percent to 5.3 percent from 2015 to 2016. In the Solano AA, the unemployment rate decreased from 6.1 percent to 5.4 percent from 2015 to 2016. These improvements are in line with California's overall unemployment rate decrease, as well as the National average, and illustrate an improving trend.

According to the 2016 D&B data, there were 3,777 farms in the combined AA. GARs for these farms are below:

- 94.0 percent have \$1 million or less
- 3.8 percent have more than \$1 million
- 2.2 percent have unknown revenues

The analysis of small farm loans under the Borrower Profile criterion compares the distribution of farms by GAR level. The agriculture, forestry, and fishing industries represent only 2.6 percent of total businesses located in the combined AA. The small number of farms and agricultural businesses in the combined AA demonstrate a limited availability to provide small farm credit.

Additional economic and demographic information is discussed within the description of each AA.

Comparable Financial Institutions

No comparable financial institutions operate in the area, given FNBD’s asset size, branch network, product offerings, and areas served.

Designated Disaster Areas

In February 2017, all of the counties in the combined AA were designated as disaster areas by the Federal Emergency Management Agency (FEMA) due to severe winter storms, flooding, and mudslides. In March 2017, the counties of Sacramento and Yolo were again designated as disaster areas by FEMA due to the winter storms, flooding, and mudslides.

Distressed or Underserved Nonmetropolitan Middle-Income Geographies

The combined AA does not include any distressed or underserved nonmetropolitan middle-income geographies.

Competition

The combined AA is highly competitive in the market for financial services. According to the June 30, 2016 FDIC Deposit Market Share data, 42 financial institutions operated 406 full-service branches within the bank’s combined AA. Of these institutions, FNBD ranked 10th with a 2.0 percent deposit market share. The following table illustrates FNBD’s small business, home mortgage, small farm, and deposit market share information in the combined AA.

Small Business, Home Mortgage, and Deposit Market Share - Combined AA						
2015 Small Business		2015 Home Mortgage		2015 Small Farm		Deposit Market Share %
Rank (#)	Market Share %	Rank (#)	Market Share %	Rank (#)	Market Share %	
14 of 108	0.5	91 of 593	0.2	5 of 26	6.8	2.0
<i>Source: 2015 Aggregate Small Business, Small Farm, and HMDA Data; June 30, 2016 Summary of Deposits</i>						

As illustrated above, there is a high level of competition for small business loans in the combined AA. The bank is not required to collect and report small business and small farm loan data; however, has elected to do so voluntarily. Therefore, the analysis of small business and small farm loans under the Lending Test includes comparisons to the aggregate lending data. Aggregate lending data shows that 108 institutions reported 49,234 small business loans in the combined AA, indicating a high degree of competition for this product. The top lending institution, by small business loan market share, is a very large financial institution with a

nationwide presence. This 1 institution originated 24.4 percent of the total number of small business loans originated within the combined AA in 2015.

Home mortgage lending also has a high degree of competition among banks, credit unions, and non-depository mortgage lenders in the combined AA. In 2015, 593 lenders reported 79,872 home mortgage loans within the combined AA. FNBD ranked 91st out of this group of lenders, with a market share of 0.2 percent. No particular lender originated a significant percentage of home mortgage loans within the combined AA.

The combined AA includes a moderate degree of competition for small farm loans. Aggregate lending data shows that 26 institutions reported 441 small farm loans originated in the combined AA. In 2015, the bank ranked 5th out of these institutions, with a market share of 6.8 percent. The top lending institution, by small farm loan market share, is a very large financial institution with a nationwide presence. This 1 institution originated 19.7 percent of the total number of small farm loans originated within the combined AA in 2015.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FNBD demonstrated reasonable performance under the Lending Test. Borrower Profile and Geographic Distribution are weighted equally and the performance in each criterion supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 63.4 percent over the past 8 calendar quarters from March 31, 2015 to December 31, 2016. The ratio ranged from a low of 60.3 percent as of March 31, 2015 to a high of 65.4 percent as of June 30, 2016. The ratio remained generally stable during the evaluation period. The average ratio slightly increased from the previous evaluation, which indicated an average ratio of 61.6 percent.

Assessment Area Concentration

The bank made a substantial majority of small business, home mortgage, and small farm loans, by number and dollar volume, within its combined AA. The following table illustrates the lending activity inside and outside the combined AA.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2015	134	82.7	28	17.3	162	39,444	83.5	7,802	16.5	47,246	
2016	157	87.7	22	12.3	179	45,671	87.6	6,482	12.4	52,153	
Subtotal	291	85.3	50	14.7	341	85,115	85.6	14,284	14.4	99,399	
Small Business											
2015	259	91.5	24	8.5	283	80,191	90.3	8,609	9.7	88,800	
2016	194	87.0	29	13.0	223	57,936	80.4	14,094	19.6	72,030	
Subtotal	453	89.5	53	10.5	506	138,127	85.9	22,703	14.1	160,830	
Small Farm											
2015	31	70.5	13	29.5	44	6,508	67.5	3,134	32.5	9,642	
2016	33	75.0	11	25.0	44	6,249	71.3	2,519	28.7	8,768	
Subtotal	64	72.7	24	27.3	88	12,757	69.3	5,653	30.7	18,410	
Total	808	86.4	127	13.6	935	235,999	84.7	42,640	15.3	278,639	
<small>Source: Evaluation Period: 1/1/2015 - 12/31/2016 Percentages may not add up to 100.0 percent due to rounding</small>											

As illustrated in the table above, 86.4 percent by number and 84.7 percent by dollar volume of total loans were originated inside the bank's combined AA. The strongest performance by loan type was in small business lending, where 89.5 percent by number and 85.9 percent by dollar volume of

loans were originated inside the combined AA. The bank's excellent AA concentration performance is consistent with the performance at the previous evaluation. This performance represents an excellent level of responsiveness by the bank in meeting the credit needs of the combined AA.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the combined AA, poor 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. As mentioned earlier, more weight is given to the bank's small business lending, as it is the bank's major product line.

Small Business Loans

The distribution of small business loan borrowers reflects, given the demographics of the combined AA, poor penetration among businesses of different revenue sizes. For comparison purposes, aggregate lending data and the percentage of businesses reporting GARs of \$1 million or less 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 small business credit needs and lending opportunities in the combined AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Combined AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	79.8	54.2	76	29.3	17,189	21.4
2016	85.2	--	75	38.7	18,403	31.8
>1,000,000						
2015	4.0	--	181	69.9	62,495	77.9
2016	4.8	--	117	60.3	38,957	67.2
Revenue Not Available						
2015	16.2	--	2	0.8	507	0.6
2016	10.0	--	2	1.0	576	1.0
Totals						
2015	100.0	100.0	259	100.0	80,191	100.0
2016	100.0	--	194	100.0	57,936	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank's 2015 small business lending to businesses with GARs of \$1 million or less, at 29.3 percent, reflects poor performance as it was significantly exceeded by both the aggregate performance (54.2 percent) and the percentage of businesses reporting GARs of \$1 million or less (79.8 percent) within the combined AA. In 2016, small business lending to businesses with GARs of \$1 million or less, at 38.7 percent, illustrates an

improvement in performance from 2015; however, it remained significantly below the percentage of businesses reporting GARs of \$1 million or less (85.2 percent). In addition, FNBD's lending to small businesses with GAR of \$1 million or less shows a continuous downward trend since the last evaluation with the exception of a slight upward trend in the 2016 performance.

Aggregate lending is the primary source of comparison for measuring the bank's performance. The bank faces high competition in small business lending, as 108 institutions reported small business loan originations in 2015, and the top lender held a market share of 24.4 percent of such loans. It is worth noting that unlike this top lender, FNBD does not originate small business credit cards, and the average loan size of FNBD's small business loans are much larger than those of the credit card lender. Nonetheless, the distribution of small business borrowers reflects poor penetration among business customers of different revenue sizes in the combined AA.

Home Mortgage Loans

The distribution of home mortgage borrowers reflects, given the demographics of the combined 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 combined AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Combined AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	22.2	3.3	3	2.2	285	0.7
2016	22.2	--	10	6.4	1,118	2.4
Moderate						
2015	17.3	12.8	10	7.5	1,527	3.9
2016	17.3	--	24	15.3	4,517	9.9
Middle						
2015	20.3	20.2	25	18.7	5,490	13.9
2016	20.3	--	26	16.6	6,638	14.5
Upper						
2015	40.2	42.0	87	64.9	29,966	76.0
2016	40.2	--	86	54.8	29,727	65.1
Not Available						
2015	0.0	21.7	9	6.7	2,176	5.5
2016	0.0	--	11	7.0	3,671	8.0
Totals						
2015	100.0	100.0	134	100.0	39,444	100.0
2016	100.0	--	157	100.0	45,671	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 — 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank’s 2015 home mortgage lending among low-income borrowers is reasonable, at 2.2 percent, as it is comparable to the aggregate lending data of 3.3 percent. Although the bank’s performance is exceeded by the percentage of low-income families (22.2 percent) within the combined AA, the comparison to aggregate lending levels is more reflective of the credit needs and opportunities in the combined AA. In 2016, the bank’s performance increased to 6.4 percent; however, remained below the percentage of low-income families in the combined AA (22.2 percent). Nonetheless, the home mortgage lending among low-income borrowers is excellent in 2016, as it increased significantly from 2015.

The above table illustrates that the bank’s 2015 home mortgage lending among moderate-income borrowers is poor, at 7.5 percent, which is below the percentage of aggregate lending data of 12.8 percent. However, the bank’s performance has improved significantly in 2016, at 15.3 percent. The bank’s 2016 performance is comparable to the percentage of moderate-income families at 17.3 percent.

Overall, the distribution of home mortgage lending among low- and moderate-income borrowers is reasonable, considering the improving trend from 2015 to 2016 and the demographics of the combined AA.

Small Farm Loans

The distribution of small farm borrowers reflects, given the demographics of the combined AA, excellent penetration among farms of different revenue sizes. For comparison purposes, aggregate lending data and the percentage of farms reporting GARs of \$1 million or less 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 small farm credit needs and lending opportunities in the combined AA.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Combined AA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	94.3	58.5	20	64.5	2,943	45.2
2016	94.0	--	23	69.7	3,484	55.8
>1,000,000						
2015	3.8	--	11	35.5	3,565	54.8
2016	3.8	--	10	30.3	2,765	44.2
Revenue Not Available						
2015	2.0	--	0	0.0	0	0.0
2016	2.3	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	31	100.0	6,508	100.0
2016	100.0	--	33	100.0	6,249	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 — 12/31/2016 Bank Data; 2015 CRA Aggregate Data; “—“data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank’s 2015 small farm lending to farms with GARs of \$1 million or less, at 64.5 percent, reflects excellent performance as it exceeded the aggregate performance (58.5 percent). Although the bank’s performance is exceeded by the percentage of farms with GARs of \$1 million or less, at 94.3 percent within the combined AA, the comparison to aggregate lending levels is more reflective of the credit needs and opportunities in the combined AA. In 2016, small farm lending to farms with GARs of \$1 million or less, at 69.7 percent, illustrates an improving trend in performance from 2015.

Geographic Distribution of Small Business Loans						
Combined AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	6.9	6.5	22	8.5	6,345	7.9
2016	7.0	--	13	6.7	4,472	7.7
Moderate						
2015	22.0	19.5	74	28.6	17,573	21.9
2016	22.0	--	62	32.0	13,360	23.1
Middle						
2015	39.4	38.6	104	40.2	35,024	43.7
2016	39.4	--	87	44.8	30,605	52.8
Upper						
2015	31.7	35.4	59	22.8	21,249	26.5
2016	31.6	--	32	16.5	9,499	16.4
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	259	100.0	80,191	100.0
2016	100.0	--	194	100.0	57,936	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 — 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the combined 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 excellent dispersion throughout the combined AA. For comparison purposes, the following table shows the aggregate lending data and the percentage of businesses by census tract category. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the small business credit needs and lending opportunities in the combined AA.

The above table illustrates that the bank's 2015 small business lending within low-income census tracts is excellent, at 8.5 percent, as it exceeded both the aggregate performance (6.5 percent) and the percentage of businesses within low-income census tracts (6.9 percent) in the combined AA. The bank's ratio of small business loans within low-income census tracts remained relatively the same in 2016, at 6.7 percent, which is comparable to the percentage of businesses located within low-income census tracts (7.0 percent).

The above table also illustrates that the bank's 2015 small business lending performance within moderate-income census tracts is excellent, at 28.6 percent, as it exceeded both the aggregate performance (19.5 percent), and the percentage of businesses within moderate-income census tracts (22.0 percent). The bank's ratio of small business loans within moderate-income census tracts increased slightly to 32.0 percent in 2016, which significantly exceeded the percentage of businesses located within moderate-income census tracts (22.0 percent).

Although the bank faces high competition, and the top lender by market share originated a significant portion of the loans in the combined AA, FNBD's distribution of small business loans reflects excellent penetration overall.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the combined 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 combined AA.

Geographic Distribution of Home Mortgage Loans						
Combined AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	3.7	2.9	0	0.0	0	0.0
2016	3.7	--	1	0.6	140	0.3
Moderate						
2015	18.9	15.5	9	6.7	1,620	4.1
2016	18.9	--	12	7.6	2,662	5.8
Middle						
2015	41.3	40.7	73	54.5	18,960	48.1
2016	41.3	--	84	53.5	22,707	49.7
Upper						
2015	36.1	40.9	52	38.8	18,864	47.8
2016	36.1	--	60	38.2	20,162	44.1
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	134	100.0	39,444	100.0
2016	100.0	--	157	100.0	45,671	100.0

Source: 2010 U.S. Census; 1/1/2015 — 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The table above illustrates that the bank did not penetrate any low-income census tracts in 2015, and originated one home mortgage loan within the low-income census tracts in 2016. However, the aggregate performance is also low, at 2.9 percent, and only 3.7 percent of the owner-occupied housing units are located within low-income census tracts, demonstrating a limited capacity to lend in these areas.

The table above also illustrates that the bank's 2015 home mortgage lending within moderate-income census tracts is poor, at 6.7 percent, as it was exceeded by both the aggregate performance (15.5 percent), and the percentage of owner-occupied housing units within moderate-income census tracts (18.9 percent). The bank's ratio of home mortgage loans within moderate-income census tracts remained relatively steady in 2016, at 7.6 percent, which remained below the percentage of owner-occupied housing units within moderate-income census tracts (18.9 percent).

The competition for home mortgage loans within the combined AA is high, as 593 different institutions originated home mortgage loans within the area. The bank hired additional mortgage lenders for each of the branches beginning in 2016, which will help improve the distribution of loans within a larger, more dispersed area; however, the bank's performance in 2015 and 2016 reflects poor penetration overall.

Small Farm Loans

The geographic distribution of small farm loans reflects poor dispersion throughout the combined AA. For comparison purposes, the following table shows the aggregate lending data and the percentage of farms by census tract category. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the small farm credit needs and lending opportunities in the combined AA.

Geographic Distribution of Small Farm Loans						
Combined AA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	3.6	1.4	0	0.0	0	0.0
2016	3.6	--	0	0.0	0	0.0
Moderate						
2015	16.4	6.5	0	0.0	0	0.0
2016	16.2	--	0	0.0	0	0.0
Middle						
2015	47.2	53.6	29	93.5	6,058	93.1
2016	47.6	--	24	72.7	4,405	70.5
Upper						
2015	32.7	38.5	2	6.5	450	6.9
2016	32.6	--	9	27.3	1,844	29.5
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	31	100.0	6,508	100.0
2016	100.0	--	33	100.0	6,249	100.0

Source: 2015 & 2016 D&B Data; 1/1/2015 — 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The table above illustrates that the bank did not penetrate any low-income census tracts in 2015 or 2016. However, the aggregate performance is also low, at 1.4 percent, and only 3.6 percent of farms are located within low-income census tracts, demonstrating a limited capacity to lend in these areas.

The above table also illustrates that the bank's 2015 and 2016 small farm lending performance within moderate-income census tracts is poor, as it failed to penetrate the areas in both years. The aggregate performance, at 6.5 percent in 2015, and the percentages of farms within moderate-income census tracts (16.4 percent in 2015, and 16.2 percent in 2016) illustrate an opportunity for small farm lending in the area.

The bank faces moderate competition for small farm lending in the combined AA, as 26 different institutions reported small farm data. FNBD also faces limited availability to lend, as only 3,777 farms are in business within the combined AA. The bank has expanded its participation into the Future Farmers of America program, in an effort to penetrate farmers in low- and moderate-income census tracts. Nonetheless, FNBD's distribution of small farm loans in 2015 and 2016 reflects poor penetration overall.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FNBD's community development performance demonstrates excellent responsiveness to community development needs in its combined AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

FNBD originated 67 community development loans totaling approximately \$144.5 million during the evaluation period. This level of activity represents 13.6 percent of average total assets and 24.5 percent of average total loans since the previous CRA Evaluation. Of the 67 community development loans, 3 totaling \$3.0 million were used to create affordable housing in the combined AA. Another 23, totaling \$57.6 million, of the community development loans were used to provide economic development. These loans demonstrate the bank's responsiveness to the community development needs identified by the community contacts.

The bank's community development lending includes 4 loans totaling approximately \$11.1 million outside the combined AA to entities that serve a broader statewide area that includes the AA. However, these loans will not directly benefit the combined AA. As the bank has been responsive to the community development needs of its combined AA, examiners considered these four loans under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Combined AA												
Assessment Area	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
2015												
Sacramento AA	14	27,265	0	0	4	2,800	10	24,465	0	0	0	0
Solano AA	9	19,264	1	1,700	2	1,425	0	0	6	16,139	0	0
Regional	4	11,093	0	0	1	100	3	10,993	0	0	0	0
Sub-Total	27	57,622	1	1,700	7	4,325	13	35,458	6	16,139	0	0
2016												
Sacramento AA	31	73,170	1	1,118	6	3,096	9	19,147	15	49,809	0	0
Solano AA	4	375	1	200	3	175	0	0	0	0	0	0
Regional	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	35	73,545	2	1,318	9	3,271	9	19,147	15	49,809	0	0
2017												
Sacramento AA	5	13,325	0	0	4	10,325	1	3,000	0	0	0	0
Solano AA	0	0	0	0	0	0	0	0	0	0	0	0
Regional	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	5	13,325	0	0	4	10,325	1	3,000	0	0	0	0
Grand Total	67	144,492	3	3,018	20	17,921	23	57,605	21	65,948	0	0

Source: Bank records

Please refer to the community development comments within each AA for detailed discussion of the bank's performance.

Qualified Investments

FNBD made two new qualified investments and held two more from the previous evaluation. The qualified investments and donations total approximately \$4.7 million. This total includes qualified equity investments of approximately \$4.5 million and donations of \$194,382. The total dollar amount equates to 0.4 percent of average total assets and 2.3 percent of average securities since the previous CRA Evaluation.

Of the new qualified investments, \$2.2 million benefitted affordable housing efforts in the Sacramento AA. This demonstrates the bank's responsiveness to the affordable housing needs of the AA, which was an identified community development need.

The following table illustrates the qualified investments by number and dollar volume, and by type, for each AA.

Community Development Investments Combined AA												
Assessment Area	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
Prior Period												
Sacramento AA	2	1,981	1	581	1	1,400	0	0	0	0	0	0
Solano AA	0	0	0	0	0	0	0	0	0	0	0	0
Regional	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	2	1,981	1	581	1	1,400	0	0	0	0	0	0
2015												
Sacramento AA	0	0	0	0	0	0	0	0	0	0	0	0
Solano AA	0	0	0	0	0	0	0	0	0	0	0	0
Regional	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0
2016												
Sacramento AA	0	0	0	0	0	0	0	0	0	0	0	0
Solano AA	0	0	0	0	0	0	0	0	0	0	0	0
Regional	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0	0	0	0	0
YTD 2017												
Sacramento AA	1	2,185	1	2,185	0	0	0	0	0	0	0	0
Solano AA	0	0	0	0	0	0	0	0	0	0	0	0
Regional	1	300	0	0	0	0	1	300	0	0	0	0
Sub-Total	2	2,485	1	2,185	0	0	1	300	0	0	0	0
Grand Total	4	4,466	2	2,766	1	1,400	1	300	0	0	0	0

Source: Bank records

The following table illustrates the donations by number and dollar volume, and by type, for each AA.

Community Development Donations Combined AA												
Assessment Area	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2015												
Sacramento AA	46	43,036	3	1,354	39	26,682	4	15,000	0	0	0	0
Solano AA	27	44,123	0	0	26	43,123	1	1,000	0	0	0	0
Sub-Total	73	87,159	3	1,354	65	69,805	5	16,000	0	0	0	0
2016												
Sacramento AA	57	44,482	2	750	46	30,632	9	13,100	0	0	0	0
Solano AA	27	29,108	1	2,944	26	26,164	0	0	0	0	0	0
Sub-Total	84	73,590	3	3,694	72	56,796	9	13,100	0	0	0	0
2017												
Sacramento AA	22	32,633	0	0.0	21	30,133	1	2,500	0	0.0	0	0.0
Solano AA	1	1,000	0	0.0	1	1,000	0	0	0	0.0	0	0.0
Sub-Total	23	33,633	0	0.0	22	31,133	1	2,500	0	0.0	0	0.0
Grand Total	180	194,382	6	5,048	159	157,734	15	31,600	0	0.0	0	0.0
<i>Source: Bank records</i>												

Please refer to the community development comments within each AA for detailed discussion of the bank's performance.

Community Development Services

During the evaluation period, bank employees provided 67 instances of financial expertise or technical assistance to 26 different community development-related organizations in the combined AA.

The following table illustrates the bank's community development services by year and purpose.

Community Development Services Combined AA												
Assessment Area	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
2015												
Sacramento AA	17	244	2	7	15	237	0	0	0	0	0	0
Solano AA	9	158	2	8	5	96	2	54	0	0	0	0
Sub-Total	26	402	4	15	20	333	2	54	0	0	0	0
2016												
Sacramento AA	13	290	1	18	11	266	1	6	0	0	0	0
Solano AA	10	191	2	12	4	64	4	115	0	0	0	0
Sub-Total	23	481	3	30	15	330	5	121	0	0	0	0
YTD 2017												
Sacramento AA	13	121	1	4	11	111	1	6	0	0	0	0
Solano AA	5	56	2	10	1	12	2	34	0	0	0	0
Sub-Total	18	177	3	14	12	123	3	40	0	0	0	0
Grand Total	67	1,060	10	59	47	786	10	215	0	0	0	0
<i>Source: Bank records</i>												

Please refer to the community development comments within each AA for detailed discussion of the bank's performance.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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.

**METROPOLITAN AREAS EVALUATED USING
FULL-SCOPE EXAMINATION PROCEDURES
SACRAMENTO AA**

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SACRAMENTO AA

A full-scope evaluation of the institution’s performance in the Sacramento AA was performed. The evaluation focused on small business, home mortgage, and small farm lending activity as well as community development loans, qualified investments, and services. FNBD operates 7 branches in the Sacramento AA, which represent 70.0 percent of the bank’s total branch network. According to the FDIC’s June 30, 2016 Deposit Market Share report, approximately 66.9 percent of the bank’s total deposits are taken in the Sacramento AA. Further, 69.7 percent of the small business, home mortgage, and small farm loans originated within the combined AA, were originated in the Sacramento AA.

Specifically, 351 of the 453 small business loans originated inside the combined AA during the review period, or 77.5 percent, were originated within the Sacramento AA. Of the 291 home mortgage loans originated inside the combined AA, 188 or 64.6 percent were originated within the Sacramento AA. Finally, 48 of the 64 small farm loans originated inside the combined AA, or 75.0 percent, were originated within the Sacramento AA. Given the loan volume and lending focus within the Sacramento AA, more weight is given to the small business lending performance to reach conclusions in the Lending Test.

Economic and Demographic Data

The Sacramento AA includes all 442 census tracts in Sacramento, Placer, and Yolo Counties. These census tracts reflect the following income designations according to the 2010 U.S. Census:

- 37 low-income census tracts,
- 108 moderate-income census tracts,
- 164 middle-income census tracts, 132 upper-income census tracts, and
- 1 census tract with no income designation.

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

Sacramento AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	442	8.4	24.4	37.1	29.9	0.2
Population by Geography	1,968,069	7.8	24.8	37.1	30.0	0.3
Housing Units by Geography	775,120	7.7	24.8	38.8	28.7	0.0
Owner-Occupied Units by Geography	434,183	4.2	19.3	40.2	36.3	0.0
Occupied Rental Units by Geography	272,855	12.6	33.1	36.3	18.0	0.0
Vacant Units by Geography	68,082	10.0	27.4	39.9	22.7	0.0
Businesses by Geography	127,073	7.8	21.9	38.5	31.8	0.0
Farms by Geography	3,219	4.2	17.6	45.9	32.4	0.0
Family Distribution by Income Level	468,123	22.7	17.1	19.9	40.2	0.0
Household Distribution by Income Level	707,038	24.1	16.7	18.4	40.9	0.0
Median Family Income MSA #40900 Sacramento-Roseville-Arden-Arcade, CA MSA		\$71,816	Median Housing Value			\$352,542
			Median Gross Rent			\$1,035
			Families Below Poverty Level			8.9%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Percentages may not add up to 100.0 percent due to rounding</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the 2016 D&B data, there were 127,073 businesses in the Sacramento AA. GARs for these businesses are below:

- 85.3 percent have \$1 million or less
- 4.8 percent have more than \$1 million
- 9.9 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. The service industry represents the largest portion of businesses located within the Sacramento AA at 50.7 percent; followed by retail trade at 12.0 percent; finance, insurance, and real estate at 9.2 percent; and construction at 8.7 percent. In addition, 74.1 percent have 4 or fewer employees, and 89.3 percent operate from a single location. These figures indicate a reduced need for credit, which can effectively limit a financial institution's ability to lend to small businesses.

The 2015 and 2016 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. As illustrated in the table above, the 2010 U.S. Census data reveals that 8.9 percent of families in the Sacramento AA have incomes below the poverty level. This figure indicates a reduced capacity to borrow, which can effectively limit a financial institution's ability to lend. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2015 and 2016 FFIEC-updated median family income levels.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Sacramento-Roseville-Arden-Arcade, CA MSA Median Family Income (40900)				
2015 (\$71,500)	<\$35,750	\$35,750 to <\$57,200	\$57,200 to <\$85,800	≥\$85,800
2016 (\$69,900)	<\$34,950	\$34,950 to <\$55,920	\$55,920 to <\$83,880	≥\$83,880
<i>Source: FFIEC</i>				

There are 775,120 total housing units in the Sacramento AA. Of these, 56.0 percent are owner-occupied units, 35.2 percent are occupied rental units, and 8.8 percent are vacant units. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tracts without income designations.

According to the 2016 D&B data, there were 3,219 farms in the Sacramento AA. GARs for these farms are below:

- 94.0 percent have \$1 million or less
- 3.6 percent have more than \$1 million
- 2.4 percent have unknown revenues

The analysis of small farm loans under the Borrower Profile criterion compares the distribution of farms by GAR level. The agriculture, forestry, and fishing industries represent only 2.5 percent of total businesses located in the Sacramento AA. The small number of farms and agricultural businesses in the Sacramento AA demonstrate a limited availability to provide small farm credit.

According to Moody’s Analytics, published in December 2016, the Sacramento-Roseville-Arden-Arcade, California MSA economy has experienced an upward trajectory, with year-over-year job gains running modestly above the statewide average and well above the national average. Healthcare and business/professional services are sustaining the above-average growth in the MSA. The state government has recovered all of the jobs lost during the recession. As of December 2016, kindergarten through 12th grade school spending has risen by more than 50 percent since fiscal year 2012 to its highest level on record. Housing also lends support to the economy, as the MSA benefits from its proximity to the less affordable San Francisco Bay Area. The top employers in the MSA are the University of California – Davis, Sutter Health Sacramento Sierra Region, UC Davis Health System, and Kaiser Permanente.

Designated Disaster Areas

In February 2017, all of the counties in the Sacramento AA were designated as disaster areas by FEMA due to severe winter storms, flooding, and mudslides. In March 2017, the counties of Sacramento and Yolo were again designated as disaster areas by FEMA due to the winter storms, flooding, and mudslides.

Distressed or Underserved Nonmetropolitan Middle-Income Geographies

The Sacramento AA does not include any distressed or underserved nonmetropolitan middle-income geographies.

Competition

The Sacramento AA is highly competitive in the market for financial services. According to the June 30, 2016 FDIC Deposit Market Share data, 41 financial institutions operated 365 full-service branches within the Sacramento AA. Of these institutions, FNBD ranked 11th with a 1.4 percent deposit market share. The following table illustrates FNBD's small business, home mortgage, small farm, and deposit market share information in the Sacramento AA.

Small Business, Home Mortgage, and Deposit Market Share - Sacramento AA						
2015 Small Business		2015 Home Mortgage		2015 Small Farm		Deposit Market Share %
Rank (#)	Market Share %	Rank (#)	Market Share %	Rank (#)	Market Share %	
15 of 103	0.5	104 of 581	0.1	5 of 26	6.5	1.4

Source: 2015 Aggregate Small Business, Small Farm, and HMDA Data; June 30, 2016 Summary of Deposits

As illustrated above, there is a high level of competition for small business loans in the Sacramento AA. Aggregate lending data shows that 103 institutions reported 43,086 small business loans in the Sacramento AA, indicating a high degree of competition for this product. The top lending institution, by small business loan market share, is a very large financial institution with a nationwide presence. This one institution originated 23.6 percent of the total number of small business loans originated within the Sacramento AA in 2015.

Home mortgage lending also has a high degree of competition among banks, credit unions, and non-depository mortgage lenders in the Sacramento AA. In 2015, 581 lenders reported 69,554 home mortgage loans within the Sacramento AA. FNBD ranked 104th out of this group of lenders, with a market share of 0.1 percent. No particular lender originated a significant percentage of home mortgage loans within the Sacramento AA.

The Sacramento AA includes a moderate degree of competition for small farm loans. Aggregate lending data shows that 26 institutions reported 386 small farm loans originated in the Sacramento AA. In 2015, the bank ranked 5th out of these institutions, with a market share of 6.5 percent. The top lending institution, by small farm loan market share, is a very large financial institution with a nationwide presence. This 1 institution originated 21.2 percent of the total number of small farm loans originated within the Sacramento AA in 2015.

Community Contact

Examiners contacted representatives from two economic development organizations, and an affordable housing organization serving the Sacramento AA. The contacts identified a significant level of opportunity for mortgage lending to low-income families, opportunities to support the agricultural industry, and opportunities to help start-up small businesses. A particular need for financial education for consumers, more affordable housing, increased

lending, and contributions to local non-profit organizations were all noted by the contacts. Overall, the various contacts indicated that financial institutions have been responsive to the community's credit and development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need for the Sacramento AA. The large numbers of low-income workers in the area that work in the service/hospitality industries and high poverty rate, support this conclusion. One of the contacts indicated that there are many ways to address the affordable housing credit need by providing loans, investments, grants, and donations to various non-profit or charitable organizations. In addition to affordable housing, financial education for low-income families is greatly needed in the area. Moreover, small business lending opportunities and demand for small business loans are significant throughout the Sacramento AA. Another contact stated that they would like to see more business training, advising, and counseling from financial institutions to fill the gaps left from non-profit organizations to help people start new businesses. Further, agricultural lending and financial support for agricultural organizations are a need of the community. The contact stated that generally, local financial institutions understand the agricultural sector's needs, but due to the drought and other business burdens, an opportunity for increased support is found in the local agricultural sector.

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.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the Sacramento AA, poor 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 Sacramento AA, poor penetration among businesses of different revenue sizes. For comparison purposes, aggregate lending data and the percentage of businesses reporting GARs of \$1 million or less 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 small business credit needs and lending opportunities in the Sacramento AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Sacramento AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	79.8	54.2	60	29.3	14,387	22.9
2016	85.3	--	54	37.0	10,952	28.9
>1,000,000						
2015	4.0	--	143	69.8	47,981	76.3
2016	4.8	--	91	62.3	26,788	70.7
Revenue Not Available						
2015	16.1	--	2	1.0	507	0.8
2016	9.9	--	1	0.7	176	0.5
Totals						
2015	100.0	100.0	205	100.0	62,875	100.0
2016	100.0	--	146	100.0	37,916	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank's 2015 small business lending to businesses with GARs of \$1 million or less, at 29.3 percent, reflects poor performance as it was significantly exceeded by both the aggregate performance (54.2 percent) and the percentage of businesses reporting GARs of \$1 million or less (79.8 percent) within the Sacramento AA. In 2016, small business lending to businesses with GARs of \$1 million or less, at 37.0 percent, illustrates an improving trend in performance from 2015; however, it remained significantly below the percentage of businesses reporting GARs of \$1 million or less (85.3 percent).

Aggregate lending is the primary source of comparison for measuring the bank's performance. The bank faces high competition in small business lending, as 103 institutions reported small business loan originations in 2015, and the top lender held a market share of 23.6 percent of such loans. It is worth noting that unlike this top lender, FNBD does not originate small business credit cards, and the average loan size of FNBD's small business loans are much larger than those of the credit card lender. Nonetheless, the distribution of small business borrowers reflects poor penetration among business customers of different revenue sizes in the Sacramento AA.

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. 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 Sacramento AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Sacramento AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	22.7	3.4	2	2.2	215	0.8
2016	22.7	--	2	2.1	173	0.6
Moderate						
2015	17.1	13.0	7	7.7	1,004	3.9
2016	17.1	--	11	11.3	2,004	6.8
Middle						
2015	19.9	20.0	15	16.5	2,936	11.5
2016	19.9	--	14	14.4	3,406	11.6
Upper						
2015	40.2	42.5	62	68.1	20,372	79.7
2016	40.2	--	61	62.9	20,461	69.7
Not Available						
2015	0.0	21.1	5	5.5	1,045	4.1
2016	0.0	--	9	9.3	3,306	11.3
Totals						
2015	100.0	100.0	91	100.0	25,572	100.0
2016	100.0	--	97	100.0	29,350	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank's 2015 home mortgage lending among low-income borrowers is reasonable, at 2.2 percent, as it is comparable to the aggregate lending data of 3.4 percent. A low-income family in the AA, with an income of \$35,750, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$352,542. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 22.7 percent of families in the low-income level. In 2016, the bank's performance remained relatively the same, at 2.1 percent; however, remained below the percentage of low-income families in the Sacramento AA (22.7 percent).

The table illustrates that the bank's 2015 home mortgage lending among moderate-income borrowers is poor, at 7.7 percent, as it is below the aggregate lending data of 13.0 percent, and significantly below the percentage of moderate-income families (17.1 percent). In 2016, the bank's performance improved to 11.3 percent; however, remained below the percentage of moderate-income families (17.1 percent).

Overall, the distribution of home mortgage lending among low- and moderate-income borrowers is poor, considering the demographics of the Sacramento AA.

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, aggregate lending data and the percentage of farms reporting GARs of \$1 million or less 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 small farm credit needs and lending opportunities in the Sacramento AA.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Sacramento AA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	94.4	58.4	18	69.2	2,258	47.1
2016	94.0	--	14	63.6	1,859	46.8
>1,000,000						
2015	3.6	--	8	30.8	2,535	52.9
2016	3.6	--	8	36.4	2,115	53.2
Revenue Not Available						
2015	2.1	--	0	0.0	0	0.0
2016	2.4	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	26	100.0	4,793	100.0
2016	100.0	--	22	100.0	3,974	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank's 2015 small farm lending to farms with GARs of \$1 million or less, at 69.2 percent, reflects excellent performance as it exceeded the aggregate performance of 58.4 percent. Although the bank's performance is exceeded by the percentage of farms with GARs of \$1 million or less, at 94.4 percent within the Sacramento AA, the comparison to aggregate lending levels is more reflective of the credit needs and opportunities in the AA. In 2016, small farm lending to farms with GARs of \$1 million or less, remained relatively the same at 63.6 percent.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Sacramento 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 excellent dispersion throughout the Sacramento AA. For comparison purposes, the following table shows the aggregate lending data and the percentage of businesses by census tract category. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the small business credit needs and lending opportunities in the Sacramento AA.

Geographic Distribution of Small Business Loans						
Sacramento AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	7.6	7.1	22	10.7	6,345	10.1
2016	7.8	--	13	8.9	4,472	11.8
Moderate						
2015	21.9	19.6	69	33.7	15,628	24.9
2016	21.9	--	57	39.0	11,120	29.3
Middle						
2015	38.5	37.9	66	32.2	23,069	36.7
2016	38.5	--	47	32.2	13,711	36.2
Upper						
2015	31.9	35.5	48	23.4	17,833	28.4
2016	31.8	--	29	19.9	8,613	22.7
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	205	100.0	62,875	100.0
2016	100.0	--	146	100.0	37,916	100.0

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The above table illustrates that the bank's 2015 small business lending within low-income census tracts is excellent, at 10.7 percent, as it exceeded both the aggregate performance (7.1 percent) and the percentage of businesses within low-income census tracts (7.6 percent) within the Sacramento AA. The bank's ratio of small business loans within low-income census tracts remained relatively the same in 2016, at 8.9 percent; however, slightly exceeded the percentage of businesses located within low-income census tracts (7.8 percent).

The above table also illustrates the bank's 2015 small business lending performance within moderate-income census tracts is excellent, at 33.7 percent, as it exceeded both the aggregate performance (19.6 percent), and the percentages of businesses within moderate-income census tracts (21.9 percent). The bank's ratio of small business loans within moderate-income census

tracts increased to 39.0 percent in 2016, which significantly exceeded the percentage of businesses located within moderate-income census tracts (21.9 percent).

Although the bank faces high competition, and the top lender by market share originated a significant portion of the loans in the Sacramento AA, FNBD's distribution of small business loans in low- and moderate-income tracts reflects excellent penetration overall.

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						
Sacramento AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	4.2	3.4	0	0.0	0	0.0
2016	4.2	--	1	1.0	140	0.5
Moderate						
2015	19.3	15.9	7	7.7	1,433	5.6
2016	19.3	--	7	7.2	1,809	6.2
Middle						
2015	40.2	39.6	52	57.1	13,042	51.0
2016	40.2	--	47	48.5	13,923	47.4
Upper						
2015	36.3	41.1	32	35.2	11,097	43.4
2016	36.3	--	42	43.3	13,478	45.9
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	91	100.0	25,572	100.0
2016	100.0	--	97	100.0	29,350	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The table above illustrates that the bank did not penetrate any low-income census tracts in 2015, and originated only 1 home mortgage loan within the low-income census tracts in 2016. However, the aggregate performance is also low, at 3.4 percent, and only 4.2 percent of the owner-occupied housing units are located within low-income census tracts, demonstrating a limited capacity to lend in the areas. The table above also illustrates that the bank's 2015 home

mortgage lending within moderate-income census tracts is poor, at 7.7 percent, as it was exceeded by both the aggregate performance (15.9 percent), and the percentage of owner-occupied housing units within moderate-income census tracts (19.3 percent). The bank's ratio of home mortgage loans within moderate-income census tracts remained relatively steady in 2016, at 7.2 percent, which remained below the percentage of owner-occupied housing units within moderate-income census tracts (19.3 percent).

The competition for home mortgage loans within the Sacramento AA is high, as 581 different institutions originated home mortgage loans within the area. The bank hired additional mortgage lenders for each of the branches beginning in 2016, which will help improve the distribution of loans within a larger, more dispersed area; however, the bank's performance in 2015 and 2016 reflects poor penetration overall.

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 aggregate lending data and the percentage of farms by census tract category. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the small farm credit needs and lending opportunities in the Sacramento AA.

Geographic Distribution of Small Farm Loans						
Sacramento AA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	4.2	1.6	0	0.0	0	0.0
2016	4.2	--	0	0.0	0	0.0
Moderate						
2015	17.7	6.8	0	0.0	0	0.0
2016	17.6	--	0	0.0	0	0.0
Middle						
2015	45.6	51.3	24	92.3	4,343	90.6
2016	45.9	--	16	72.7	2,648	66.6
Upper						
2015	32.4	40.3	2	7.7	450	9.4
2016	32.4	--	6	27.3	1,326	33.4
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	26	100.0	4,793	100.0
2016	100.0	--	22	100.0	3,974	100.0

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The table above illustrates that the bank did not penetrate any low-income census tracts in 2015 or 2016. However, the aggregate performance is also low, at 1.6 percent, and only 4.2 percent of the farms are located within low-income census tracts of the Sacramento AA, demonstrating a limited capacity to lend in the areas.

The above table also illustrates that the bank's 2015 and 2016 small farm lending performance within moderate-income census tracts is poor, as it failed to penetrate the areas in both years. The aggregate performance, at 6.8 percent in 2015, and the percentages of farms within moderate-income census tracts (17.7 percent in 2015, and 17.6 percent in 2016) illustrate an opportunity for small farm lending in the area.

The bank faces moderate competition for small farm lending in the Sacramento AA, as 26 different institutions reported small farm data. FNBD also faces limited availability to lend, as only 3,219 farms are in business within the Sacramento AA. The bank has expanded its participation into the Future Farmers of America program, in an effort to penetrate farmers in low- and moderate-income census tracts. Nonetheless, FNBD's distribution of small farm loans in 2015 and 2016 reflects poor penetration overall.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FNBD's community development performance demonstrates excellent responsiveness to community development needs in its Sacramento AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

FNBD originated 50 community development loans totaling approximately \$113.8 million within the Sacramento AA, during the evaluation period. This level of activity represents 78.8 percent of the total community development loans made. The total also represents approximately 10.7 percent of average total assets and 19.3 percent of average total loans since the previous CRA Evaluation. Of the 50 community development loans, 20 totaling \$46.6 million were used to provide economic development in the Sacramento AA. Another 16, totaling \$16.2 million, of the community development loans were used to provide community services within the AA. These loans demonstrate the bank's responsiveness to the community development needs identified by the community contacts.

Below are notable examples of the bank's community development loans in the Sacramento AA:

- In 2016, the bank made a \$7.4 million loan for the construction of residential units in low-income census tracts, as part of the City of Sacramento's initiative to attract and

retain residents in the downtown area. The area is also a Housing and Urban Development (HUD)-designated Promise Zone.

- In 2016, the bank made a \$2.5 million loan to a non-profit health center that provides comprehensive and high quality health care. The health center targets patients who are uninsured, as well as migrant workers who may need bilingual assistance.

Qualified Investments

FNBD made one new qualified investments and held two more from the previous evaluation within the Sacramento AA. The qualified investments and donations total approximately \$4.3 million. This total includes qualified equity investments of approximately \$4.2 million and donations of \$87,518. The total dollar amount equates to 0.4 percent of average total assets and 2.1 percent of average securities since the previous CRA Evaluation.

The new qualified investments, which totaled \$2.2 million, benefitted affordable housing efforts in the Sacramento AA. This demonstrates the bank's responsiveness to the affordable housing needs of the AA, which was an identified community development need.

Community Development Services

During the evaluation period, bank employees provided 43 instances of financial expertise or technical assistance for a total of 655 hours, to organizations serving the Sacramento AA. Below are notable examples of the bank's community development services in the Sacramento AA:

- An employee serves on the board of a non-profit organization that provides social support to low-income senior citizens. This individual lends their financial expertise to this organization to help meet its mission.
- An employee serves on the board of a non-profit healthcare organization that provides services and primary healthcare to the uninsured and Medi-Cal recipients. As a board member, this individual lends his/her financial expertise to the organization.

**METROPOLITAN AREAS EVALUATED USING
FULL-SCOPE EXAMINATION PROCEDURES
SOLANO AA**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SOLANO AA

A full-scope evaluation of the institution's performance in the Solano AA was performed. The evaluation focused on small business and home mortgage lending activity, as well as community development loans, qualified investments, and services. Small farm loans were not analyzed or presented, as only 5 and 11 small farm loans were originated within the Solano AA in 2015 and 2016, respectively. FNBD operates 3 branches in the Solano AA, which represent 30.0 percent of the bank's total branch network. According to the FDIC's June 30, 2016 Deposit Market Share report, approximately 33.1 percent of the bank's total deposits were taken in the Solano AA. Further, 30.3 percent of the small business, home mortgage, and small farm loans originated within the combined AA were originated in the Solano AA.

Specifically, 102 of the 453 small business loans originated inside the combined AA during the review period, or 22.5 percent, were originated within the Solano AA. Of the 291 home mortgage loans originated inside the combined AA, 103 or 35.4 percent were originated within the Solano AA. Given the loan volume and lending focus within the Solano AA, equal weight is given to the small business and home mortgage lending performance to reach conclusions in the Lending Test.

Economic and Demographic Data

The Solano AA includes 57 census tracts in Solano County. Excluding the cities of Benicia and Vallejo in the southwestern portion of the county, these census tracts represent the entirety of Solano County. These census tracts reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income census tracts,
- 15 moderate-income census tracts,
- 27 middle-income census tracts,
- 14 upper-income census tracts, and
- 1 census tract with no income designation.

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

Demographic Information of the Solano AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	57	0.0	26.3	47.4	24.6	1.8
Population by Geography	268,490	0.0	22.9	46.6	27.6	2.9
Housing Units by Geography	93,638	0.0	23.5	49.6	26.9	0.0
Owner-Occupied Units by Geography	58,492	0.0	16.2	49.7	34.1	0.0
Occupied Rental Units by Geography	28,675	0.0	35.6	50.1	14.3	0.0
Vacant Units by Geography	6,471	0.0	35.3	47.5	17.2	0.0
Businesses by Geography	14,336	0.0	23.3	47.0	29.6	0.1
Farms by Geography	558	0.0	8.6	57.3	34.1	0.0
Family Distribution by Income Level	64,552	18.6	18.2	22.8	40.4	0.0
Household Distribution by Income Level	87,167	20.5	17.2	20.6	41.7	0.0
Median Family Income MSA #46700 Vallejo-Fairfield, CA MSA		\$77,321	Median Housing Value			\$378,508
			Median Gross Rent			\$1,266
			Families Below Poverty Level			6.8%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Percentages may not add up to 100.0 percent due to rounding</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the 2016 D&B data, there were 14,336 businesses in the Solano AA. GARs for these businesses are below:

- 84.9 percent have \$1 million or less
- 4.2 percent have more than \$1 million
- 10.9 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. The service industry represents the largest portion of businesses located within the Solano AA at 48.3 percent; followed by retail trade at 14.8 percent; construction at 8.8 percent; and finance, insurance, and real estate at 7.7 percent. In addition, 73.4 percent have 4 or fewer employees, and 88.5 percent operate from a single location. These figures indicate a reduced need for credit, which can effectively limit a financial institution's ability to lend to small businesses.

The 2015 and 2016 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. As illustrated in the table above, the 2010 U.S. Census data reveals that 6.8 percent of families in the Solano AA have incomes below the poverty level. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2015 and 2016 FFIEC-updated median family income levels.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Vallejo-Fairfield, CA MSA Median Family Income (46700)				
2015 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
2016 (\$77,600)	<\$38,800	\$38,800 to <\$62,080	\$62,080 to <\$93,120	≥\$93,120
<i>Source: FFIEC</i>				

There are 93,638 total housing units in the Solano AA. Of these, 62.5 percent are owner-occupied units, 30.6 percent are occupied rental units, and 6.9 percent are vacant units. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tracts without income designations.

According to Moody’s Analytics, published in December 2016, the Vallejo-Fairfield, California MSA has maintained a steady recovery and has added jobs in-line with fast-growing California. Home prices have risen at a healthy rate due to growing demand from San Francisco Bay Area commuters. The Travis Air Force Base has generated minimal growth; however, healthcare and related industries will continue to drive the recovery over the next several years. The top employers in the MSA are Travis Air Force Base, Kaiser Permanente, North Bay Health Care, and Six Flags Discovery Kingdom.

Designated Disaster Areas

In February 2017, Solano County was designated as a disaster area by FEMA due to severe winter storms, flooding, and mudslides.

Distressed or Underserved Nonmetropolitan Middle-Income Geographies

The Solano AA does not include any distressed or underserved nonmetropolitan middle-income geographies.

Competition

The Solano AA is moderately competitive in the market for financial services. According to the June 30, 2016 FDIC Deposit Market Share data, 11 financial institutions operated 41 full-service branches within the Solano AA. Of these institutions, FNBD ranked 3rd with a 12.9 percent deposit market share. The following table illustrates FNBD’s small business, home mortgage, and deposit market share information in the Solano AA.

Small Business, Home Mortgage, and Deposit Market Share - Solano AA				
2015 Small Business		2015 Home Mortgage		Deposit Market Share %
Rank (#)	Market Share %	Rank (#)	Market Share %	
11 of 63	0.9	51 of 352	0.4	12.9
<i>Source: 2015 Aggregate Small Business, and HMDA Data; June 30, 2016 Summary of Deposits</i>				

As illustrated above, there is a moderate level of competition for small business loans in the Solano AA. Aggregate lending data shows that 63 institutions reported 6,148 small business loans in the Solano AA, indicating a moderate degree of competition for this product. The top lending institution, by small business loan market share, is a very large financial institution with a nationwide presence. This one institution originated 30.0 percent of the total number of small business loans originated within the Solano AA in 2015.

Home mortgage lending has a high degree of competition among banks, credit unions, and non-depository mortgage lenders in the Solano AA. In 2015, 352 lenders reported 10,318 home mortgage loans within the Solano AA. FNBD ranked 51st out of this group of lenders, with a market share of 0.4 percent. No particular lender originated a significant percentage of home mortgage loans within the Solano AA.

Community Contact

Examiners contacted a representative of an affordable housing organization in the Solano AA. The contact identified a significant need and opportunity for mortgage lending to low-income families and creation of low-cost housing units. The contact noted a particular need for affordable housing in the Solano AA. Overall, the contact indicated that financial institutions have been responsive to the community's credit needs but need to increase their efforts to fill the gap in affordable housing that now exists.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable mortgage lending represents a primary credit need for the Solano AA. The large number of low-income workers in the area supports this conclusion. Opportunities exist for originating such lending, with programs that use state and local money like the First Time Home Buyer Program. Additionally, there are opportunities to contribute to charitable organizations in the area that support affordable housing initiatives. While banks in this area are loosening their credit requirements and getting more competitive, FHA loan amount restrictions have increased, which is making it harder on local borrowers. Overall, the contact stated that the local banks need to increase their efforts to provide the affordable housing needed in the Solano AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SOLANO AA

LENDING TEST

FNBD's performance under the Lending Test in the Solano AA needs to improve. Poor small business lending performance in both the Borrower Profile and Geographic Distribution criteria support this rating. Further, poor home mortgage lending performance in the Geographic Distribution criterion supports this rating. Small business and home mortgage lending carry the same weight, as the bank originated a similar number of loans within the Solano AA during the review period. The bank originated few small farm loans within the AA; therefore, small farm loans were not analyzed or presented in the Solano AA.

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 and home mortgage lending supports this conclusion.

Small Business Loans

The distribution of small business loan borrowers reflects, given the demographics of the Solano AA, poor penetration among businesses of different revenue sizes. For comparison purposes, aggregate lending data and the percentage of businesses reporting GARs of \$1 million or less 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 small business credit needs and lending opportunities in the Solano AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Solano AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	79.6	54.4	16	29.6	2,802	16.2
2016	84.8	--	21	43.8	7,451	37.2
>1,000,000						
2015	3.7	--	38	70.4	14,514	83.8
2016	4.2	--	26	54.2	12,169	60.8
Revenue Not Available						
2015	16.6	--	0	0.0	0	0.0
2016	10.9	--	1	2.1	400	2.0
Totals						
2015	100.0	100.0	54	100.0	17,316	100.0
2016	100.0	--	48	100.0	20,020	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The above table illustrates that the bank's 2015 small business lending to businesses with GARs of \$1 million or less, at 29.6 percent, reflects poor performance as it was significantly exceeded by both the aggregate performance (54.4 percent) and the percentage of businesses reporting GARs of \$1 million or less (79.6 percent) within the Solano AA. In 2016, small business lending to businesses with GARs of \$1 million or less, at 43.8 percent, illustrates an improving trend in performance from 2015; however, it remained significantly below the percentage of businesses reporting GARs of \$1 million or less (84.8 percent).

Aggregate lending is the primary source of comparison for measuring the bank's performance. Similar to the Solano AA, the bank faces high competition in small business lending, as 63

institutions reported small business loan originations in 2015, and the top lender held a market share of 30.0 percent of such loans. It is worth noting that unlike this top lender, FNBD does not originate small business credit cards, and the average loan size of FNBD's small business loans are much larger than those of the credit card lender. Nonetheless, the distribution of small business borrowers reflects poor penetration among business customers of different sizes in the Solano AA.

Home Mortgage Loans

The distribution of home mortgage borrowers reflects, given the demographics of the Solano AA, excellent 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						
Solano AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	18.6	2.4	1	2.3	70	0.5
2016	18.6	--	8	13.3	945	5.8
Moderate						
2015	18.2	11.4	3	7.0	523	3.8
2016	18.2	--	13	21.7	2,513	15.4
Middle						
2015	22.8	21.6	10	23.3	2,554	18.4
2016	22.8	--	12	20.0	3,232	19.8
Upper						
2015	40.4	38.9	25	58.1	9,594	69.2
2016	40.4	--	25	41.7	9,266	56.8
Not Available						
2015	0.0	25.7	4	9.3	1,131	8.2
2016	0.0	--	2	3.3	365	2.2
Totals						
2015	100.0	100.0	43	100.0	13,872	100.0
2016	100.0	--	60	100.0	16,321	100.0

*Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available.
Percentages may not add up to 100.0 percent due to rounding*

The above table illustrates that the bank's 2015 home mortgage lending among low-income borrowers is reasonable, at 2.3 percent, as it is comparable to the aggregate lending data of 2.4 percent. A low-income family in the AA, with an income of \$37,250, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median

housing value of \$378,508. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 18.6 percent of families in the low-income level. In 2016, the bank's performance significantly increased to 13.3 percent and is considered excellent performance; however, remained slightly below the percentage of low-income families in the Solano AA (18.6 percent).

The table illustrates that the bank's 2015 home mortgage lending among moderate-income borrowers is poor, at 7.0 percent, as it is below the aggregate lending data of 11.4 percent. However, in 2016, the bank's performance significantly improved to 21.7 percent and even exceeded the percentage of moderate-income families (18.2 percent). The bank's performance in lending to moderate-income borrowers is excellent in 2016.

Overall, the distribution of home mortgage lending among low- and moderate-income borrowers is excellent, considering the demographics of the Solano AA.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Solano AA. The bank's performance in small business and home mortgage 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 aggregate lending data and the percentage of businesses by census tract category. Examiners placed more weight on the comparison to aggregate lending data, as it is more reflective of the small business credit needs and lending opportunities in the Solano AA.

Geographic Distribution of Small Business Loans						
Solano AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2015	23.0	18.1	5	9.3	1,945	11.2
2016	23.3	--	5	10.4	2,240	11.2
Middle						
2015	47.2	47.4	38	70.4	11,955	69.0
2016	47.0	--	40	83.3	16,894	84.4
Upper						
2015	29.7	34.5	11	20.4	3,416	19.7
2016	29.6	--	3	6.2	886	4.4
Not Available						
2015	0.1	0.0	0	0.0	0	0.0
2016	0.1	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	54	100.0	17,316	100.0
2016	100.0	--	48	100.0	20,020	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Percentages may not add up to 100.0 percent due to rounding</i>						

The Solano AA has no low-income census tracts. The above table illustrates that the bank's 2015 small business lending performance within moderate-income census tracts is poor, at 9.3 percent, as it is exceeded by both the aggregate performance (18.1 percent), and the percentages of businesses within moderate-income census tracts (23.0 percent). The bank's ratio of small business loans within moderate-income census tracts increased slightly to 10.4 percent in 2016; however, was also exceeded by the percentage of businesses located within moderate-income census tracts (23.3 percent).

Aggregate lending is the primary source of comparison for measuring the bank's performance. The bank faces moderate competition in small business lending, as 63 institutions reported small business loan originations in 2015, and the top lender held a market share of 30.0 percent of such loans. The top lender is a large credit card lender, and skewed the results of the other financial institutions reporting data within the Solano AA. It is also worth noting that only 15 of the 57 census tracts in the Solano AA are moderate-income census tracts, limiting the opportunity for engagement with businesses in those areas. Nonetheless, the distribution of small business borrowers reflects poor penetration among business customers of different sizes in the Solano AA.

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 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.

Geographic Distribution of Home Mortgage Loans						
Solano AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2015	16.2	12.5	2	4.7	187	1.3
2016	16.2	--	5	8.3	853	5.2
Middle						
2015	49.7	47.7	21	48.8	5,918	42.7
2016	49.7	--	37	61.7	8,784	53.8
Upper						
2015	34.1	39.8	20	46.5	7,767	56.0
2016	34.1	--	18	30.0	6,684	41.0
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	43	100.0	13,872	100.0
2016	100.0	--	60	100.0	16,321	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data; 2015 HMDA Aggregate Data; "--" data not available. Percentages may not add up to 100.0 percent due to rounding

The Solano AA has no low-income census tracts. The table above illustrates that the bank’s 2015 home mortgage lending within moderate-income census tracts is poor, at 4.7 percent, as it was exceeded by both the aggregate performance (12.5 percent), and the percentage of owner-occupied housing units within moderate-income census tracts (16.2 percent). The bank’s ratio of home mortgage loans within moderate-income census tracts increased slightly in 2016, to 8.3 percent, which remained below the percentage of owner-occupied housing units within moderate-income census tracts (16.2 percent).

The competition for home mortgage loans within the Solano AA is high, as 352 different institutions originated home mortgage loans within the area. The bank hired additional mortgage lenders for each of the branches beginning in 2016, which will help improve the distribution of loans within a larger, more dispersed area; however, the bank’s performance in 2015 and 2016 reflects poor penetration overall.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FNBD's community development performance demonstrates adequate responsiveness to community development needs in its Solano AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

FNBD originated 13 community development loans totaling approximately \$19.6 million within the Solano AA, during the evaluation period. This level of activity represents 13.6 percent of the total community development loans made. The total also represents approximately 1.9 percent of average total assets and 3.3 percent of average total loans since the previous CRA Evaluation. Of the 13 community development loans, 6 totaling \$16.1 million were used for revitalization/stabilization efforts in the Solano AA. Another 2, totaling \$1.9 million, of the community development loans were used to provide affordable housing within the AA. These loans demonstrate the bank's responsiveness to the community development needs identified by the community contacts.

Below are notable examples of the bank's community development loans in the Solano AA:

- In 2015, the bank made a \$1.3 million loan to revitalize/stabilize an area in the AA by bringing in jobs for underserved and distressed tract employees. It was estimated that 28 full-time jobs were created for this area.
- In 2016, the bank made a \$200,000 loan to a non-profit organization that provides low-income housing within the Solano AA.

Qualified Investments

FNBD does not hold any qualified investments in the Solano AA. The bank has made 54 donations totaling \$73,231 for qualified community development purposes in the Solano AA. A majority of the donations, 53 totaling \$70,287 benefited community services efforts in the Solano AA.

Community Development Services

During the evaluation period, bank employees provided 24 instances of financial expertise or technical assistance for a total of 405 hours, to organizations serving the Solano AA.

Below are notable examples of the bank's community development services in the Solano AA:

- An employee serves as a vice president of an economic development organization for Vacaville. This individual lends their financial expertise to this organization to help meet its mission, and promote business development in the moderate-income census tracts of Vacaville, California.
- An employee serves as the chairman of the board for a non-profit organization that provides shelter for the homeless in the Solano AA. This individual lends their financial expertise to the organization.

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;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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: 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.