

# **PUBLIC DISCLOSURE**

**November 21, 2011**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Northern Bank of Dixon  
Certificate Number: 03440**

**195 North First Street  
Dixon, California 95620**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods (LMI), consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First Northern Bank of Dixon (FNBD)** prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **November 21, 2011**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

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

- A substantial majority of loans are in the institution's assessment areas (AAs).
- The geographic distribution of loans reflects excellent dispersion throughout the AAs.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes, and individuals of different income levels.
- The bank's net average loan-to-deposit (LTD) ratio demonstrates a reasonable responsiveness to the bank's AA credit needs, given the institution's size, business model, financial capacity, and competition.
- There have been no CRA-related complaints.
- There was no evidence of discriminatory or other illegal credit practices that was inconsistent in helping to meet community credit needs.

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

The institution's community development performance demonstrates excellent responsiveness to community development needs in its AAs through community development loans (CDLs), qualified community development investments (CDIs), and qualified community development services (CDSs), considering the institution's capacity, and availability of such opportunities for community development in the institution's AAs. The growth and level of CDLs were the primary factor for the community development test rating.

## SCOPE OF EVALUATION

This evaluation reflects FNBD's CRA performance since the May 27, 2008, CRA Performance Evaluation. The examination was conducted at the bank's administrative office located in Dixon, California. Examiners relied upon records and reports provided by the institution, publicly available loan and financial information, demographic data from the 2000 U.S. Census, and other information gathered as part of the evaluation process, including community contacts. A review of FDIC records and the bank's CRA public file did not reveal any complaints relating to the bank's CRA performance since the previous evaluation.

Examiners evaluated the bank's performance using intermediate small bank examination procedures. This was the bank's second evaluation as an intermediate small bank. CRA defines an intermediate small bank as one that had total assets of at least \$280 million or more as of December 31<sup>st</sup> of the prior 2 calendar years, and less than \$1.122 billion as of December 31<sup>st</sup> of either of the prior 2 calendar years. An intermediate small bank is evaluated using two tests: the Lending Test and the Community Development Test. FNBD's CRA performance was evaluated in the context of the following points:

- Current economic environment
- Demographic characteristics of the bank's AAs
- Lending, CDI, and CDS opportunities available within the bank's AAs
- Financial resources and constraints
- Product offerings and business strategy
- Information derived from community contacts

The bank's primary lending focus is commercial loans, which represent 57.3 percent of total loans based on the bank's September 30, 2011, Consolidated Report of Condition (Call Report). Home mortgage loans, farm loans, and consumer loans comprise approximately 25.9 percent, 12.6 percent, and 0.6 percent of total loans, respectively. Other loans are comprised primarily of construction loans, 2.2 percent, and multi-family loans, 0.9 percent.

As an intermediate small bank, FNBD is not required to collect and report small business or small farm lending data. Nonetheless, FNBD considers Bank of America and Wells Fargo Bank its main competition within its AAs. Hence, small business and small farm aggregate lending data was used to establish performance context with regard to loan demand for small business and small farm loans and to help draw comparisons.

The bank is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Commercial loans (small business), home mortgage loans subject to HMDA reporting, and small farm loans originated in 2009, 2010, and year-to-date (YTD) through September 30, 2011 were chosen for this evaluation. The bank originated 1,080 small business loans totaling \$286.7 million, 729 home mortgage loans totaling \$177.7 million, and 223 small farm loans totaling \$39.6 million during the period of review.

The bank operates 11 full-service branch offices within 2 AAs: the Sacramento-Arden -Arcade-Roseville Metropolitan Statistical Area (MSA), referred to as the Sacramento AA; and the

Vallejo-Fairfield MSA, referred to as the Solano AA.

The bank's activities in the Sacramento AA are weighted most heavily in this evaluation, given that this area contains a substantial majority of the institution's banking offices, deposits, lending, investment, and service activities. Full-scope evaluation procedures were followed for the Sacramento AA. Limited-scope evaluation procedures were followed for the Solano AA.

Table 1 illustrates the number of small business, home mortgage, and small farm loans by AA that were originated during the period of review:

| <b>Table 1 – Loans by Assessment Area</b> |             |              |             |              |                 |              |              |              |
|---|-------------|--------------|-------------|--------------|-----------------|--------------|--------------|--------------|
|   | <b>2009</b> |              | <b>2010</b> |              | <b>YTD 2011</b> |              | <b>Total</b> |              |
| <b>Assessment Area</b>                    | <b>#</b>    | <b>%</b>     | <b>#</b>    | <b>%</b>     | <b>#</b>        | <b>%</b>     | <b>#</b>     | <b>%</b>     |
| <b>Small Business Loans</b>               |             |              |             |              |                 |              |              |              |
| Sacramento AA                             | 321         | 71.7         | 259         | 74.4         | 208             | 73.2         | 788          | 73.0         |
| Solano AA                                 | 127         | 28.3         | 89          | 25.6         | 76              | 26.8         | 292          | 27.0         |
| <b>Total</b>                              | <b>448</b>  | <b>100.0</b> | <b>348</b>  | <b>100.0</b> | <b>284</b>      | <b>100.0</b> | <b>1,080</b> | <b>100.0</b> |
| <b>Home Mortgage Loans</b>                |             |              |             |              |                 |              |              |              |
| Sacramento AA                             | 251         | 69.9         | 187         | 73.9         | 82              | 70.1         | 520          | 71.3         |
| Solano AA                                 | 108         | 30.1         | 66          | 26.1         | 35              | 29.9         | 209          | 28.7         |
| <b>Total</b>                              | <b>359</b>  | <b>100.0</b> | <b>253</b>  | <b>100.0</b> | <b>117</b>      | <b>100.0</b> | <b>729</b>   | <b>100.0</b> |
| <b>Small Farm Loans</b>                   |             |              |             |              |                 |              |              |              |
| Sacramento AA                             | 61          | 78.2         | 63          | 76.8         | 47              | 74.6         | 171          | 76.7         |
| Solano AA                                 | 17          | 21.8         | 19          | 23.2         | 16              | 25.4         | 52           | 23.3         |
| <b>Total</b>                              | <b>78</b>   | <b>100.0</b> | <b>82</b>   | <b>100.0</b> | <b>63</b>       | <b>100.0</b> | <b>223</b>   | <b>100.0</b> |
| <i>Source: Bank Records</i>               |             |              |             |              |                 |              |              |              |

Throughout this evaluation, the distribution of FNBD's lending performance focuses on the number of loans originated in the AAs. Tables showing the distribution of lending by dollar volume, although reviewed by examiners, are not included in this evaluation except in the AA concentration section. The bank's performance by dollar volume is not substantially different from performance by number for the geographic distribution and borrower profile elements of the lending test.

The Community Development Test encompasses the evaluation of the bank's CDLs, CDIs, and CDSs. The review period for the Community Development Test covered the period from the date of the previous evaluation, May 27, 2008, to November 21, 2011.

The overall conclusions in this analysis are based on a variety of performance context factors that affect the individual conclusions within the bank's AAs. Refer to the sections in this evaluation that describe the bank's performance in specific AAs.

## DESCRIPTION OF INSTITUTION

FNBD, established in 1910, is a state-chartered, non-member commercial bank headquartered in Dixon, Solano County, California. The bank is wholly owned by First Northern Community Bancorp, a one-bank holding company also headquartered in Dixon. FNBD maintains no other affiliate relationships. At the last CRA evaluation on May 27, 2008, the bank was rated "Satisfactory" based on intermediate small bank examination procedures. FNBD conducts its operations primarily within Solano, Sacramento, Yolo, and Placer Counties.

Since the last evaluation, the bank opened one full-service branch office in Auburn within a middle-income census tract (CT), and relocated the Vacaville branch not far from the old location in the same CT. In addition, the bank ceased taking deposits at its Folsom branch since the last examination, but continued as a loan production and investment services office of the bank. The relocation of the Vacaville branch office and Folsom branch conversion to a loan production and investment services office did not adversely affected the overall accessibility of its delivery systems.

The bank currently operates a network of 11 full-service branches. The bank maintains ten automated teller machines (ATMs) at its branch offices with two ATMs at its branch office in Dixon. The hours of operation and availability of products and services are tailored to the convenience and needs of bank customers. FNBD operates real estate mortgage offices located in Dixon, Winters, Downtown Sacramento, Roseville, and Folsom and an Asset Management and Trust Department in Sacramento. The Investment and Mortgage Services Department is located in Folsom, with additional offices in Auburn, Davis, Fairfield, and West Sacramento. In addition, the bank has a Small Business Administration (SBA) Loan office at the Roseville branch. FNBD is an "SBA Preferred Lender" offering SBA 7(a) and SBA 504 loans.

FNBD offers a broad range of SBA, real estate, commercial, agriculture, and consumer loans, as well as a full array of FDIC insured deposit and savings products and non-FDIC insured investment and brokerage products and services.

Alternative delivery systems of products and services include drive-up ATMs, walk-up banking, 24-hour internet banking accessible through the bank's website at [www.thatsmybank.com](http://www.thatsmybank.com), electronic bill payment services, 24-hour telephone banking services, mobile banking, night depository, and notary services.

FNBD sells its home mortgage loans in the secondary market thereby freeing-up funds to reinvest in additional loans within the community. Between June 1, 2008, and September 30, 2011, the bank originated and sold 839 home mortgage loans totaling \$147.9 million.

According to the September 30, 2011, Call Report, FNBD had total assets of \$766.7 million; total deposits of \$668.7 million; total loans of \$442.9 million; and total equity capital of \$82.5 million. Total loans represent 55.8 percent of the bank's total assets.

Table 2 illustrates the bank's loan distribution as of September 30, 2011:

| <b>Table 2—Loan Portfolio Distribution as of September 30, 2011</b>    |                                |                                      |
|--|--------------------------------|--------------------------------------|
| <b>Loan Type</b>   | <b>Dollar Volume<br/>(000)</b> | <b>Percentage of<br/>Total Loans</b> |
| Construction and Land Development                                      | 9,873                          | 2.2                                  |
| Secured by Farmland  | 19,396                         | 4.4                                  |
| Revolving Open-end 1 to 4 Family Residential                           | 57,056                         | 12.9                                 |
| Closed-end 1 to 4 Family Residential First Lien                        | 53,658                         | 12.1                                 |
| Closed-end 1 to 4 Family Residential Junior Lien                       | 5,534                          | 1.3                                  |
| Multi-family Residential   | 3,948                          | *                                    |
| Commercial Real Estate   | 172,458                        | 38.9                                 |
| <b>Total Real Estate Secured</b>                                       | <b>321,923</b>                 | <b>72.7</b>                          |
| Loans to Finance Agricultural Production                               | 36,367                         | 8.2                                  |
| Commercial and Industrial Loans  | 81,095                         | 18.3                                 |
| Consumer Credit Cards  | 0                              | 0.0                                  |
| Other Consumer Revolving Loans   | 285                            | *                                    |
| Closed-end Consumer Loans  | 2,770                          | 0.8                                  |
| Obligations of States and Political Subdivisions                       | 0                              | 0.0                                  |
| Other Loans  | 146                            | *                                    |
| Lease financing receivables  | 285                            | *                                    |
| Less: Any Unearned Income on Loans                                     | 0                              | 0.0                                  |
| <b>Total Loans</b>   | <b>442,871</b>                 | <b>100.0</b>                         |
| <i>Source: September 30, 2011 Call Report; (*) less than 1 percent</i> |                                |                                      |

The table shows that FNBD's primary lending emphasis is commercial (both real estate-secured and non-real estate-secured), followed by home mortgage loans, and small farm loans. Since its inception in 1910, the bank's operating policy has also emphasized serving the banking needs of small- to medium-sized farms.

No financial constraints or legal issues were noted which would impede or prohibit the bank's abilities to meet the credit needs of its communities. FNBD's CRA performance was rated "Satisfactory" at the last evaluation, as of May 27, 2008.



## DESCRIPTION OF ASSESSMENT AREAS

FNBD has designated two AAs: (1) all of Sacramento, Yolo, and Pacer Counties located in the Sacramento-Arden-Arcade-Roseville MSA #40900; and (2) a portion of Solano County consisting of 44 CT located in the Vallejo-Fairfield MSA #46700. These two AAs constitute the combined AA (CAA). FNBD's AAs have not changed since the last evaluation, conform to the requirements of the CRA regulation, and do not arbitrarily exclude LMI geographies or individuals.

### Demographic Profile

The CAA is composed of 411 CTs: 28 low-, 106 moderate-, 163 middle-, and 113 upper-income CTs. In addition, the AAs include one CT with no reported income. The LMI CTs are primarily in the Sacramento AA, around the downtown area of Sacramento. According to the 2000 U.S. Census data, the population of the CAA is 1.9 million. Table 3 illustrates the distribution of CTs by income level and AA:

| <b>Table 3 – Distribution of CTs within the Combined Assessment Area</b> |               |           |            |              |
|--|---------------|-----------|------------|--------------|
| CT Income Level  | Sacramento AA | Solano AA | Totals     |              |
|  |               |           | #          | %            |
| <b>Low-Income</b>  | 28            | 0         | 28         | 6.8          |
| <b>Moderate-Income</b>   | 94            | 12        | 106        | 25.8         |
| <b>Middle-Income</b>   | 141           | 22        | 163        | 39.7         |
| <b>Upper-Income</b>  | 104           | 9         | 113        | 27.5         |
| <b>N/A</b>   | 0             | 1         | 1          | 0.2          |
| <b>Total</b>   | <b>367</b>    | <b>44</b> | <b>411</b> | <b>100.0</b> |
| <i>Source: 2000 U.S. Census Data</i>                                     |               |           |            |              |

Table 4 illustrates the demographics of the CAA:

| Table 4 – Select Demographic Characteristics of the Combined Assessment Area        |           |               |                         |                  |                 |              |
|---|-----------|---------------|-------------------------|------------------|-----------------|--------------|
| Demographic Characteristics   | #         | Low<br>% of # | Moderate<br>% of #      | Middle<br>% of # | Upper<br>% of # | NA<br>% of # |
| CTs   | 411       | 6.8           | 25.8                    | 39.7             | 27.5            | 0.2          |
| Population by CT Income Level   | 1,888,251 | 6.3           | 25.9                    | 39.6             | 28.1            | 0.1          |
| Owner-Occupied Housing Units by<br>CT Income Level                                  | 415,838   | 3.2           | 18.9                    | 42.5             | 35.4            | 0.0          |
| Businesses by CT Income Level   | 168,445   | 7.0           | 22.6                    | 38.4             | 32.0            | 0.0          |
| Families by Income Level  | 467,477   | 5.2           | 24.1                    | 40.8             | 29.9            | 0.0          |
| Families by CT Income Level   | 467,477   | 20.7          | 18.5                    | 21.4             | 39.4            | 0.0          |
| Median Family Income  |           | \$57,203      | Median Housing<br>Value |                  | \$172,160       |              |
| HUD* Adjusted Median Family Income for 2010   |           | \$76,150      |                         |                  |                 |              |
| Households Below Poverty Level  |           | 10.6%         |                         |                  |                 |              |
| Source: 2000 U.S. Census Data,, 2010 D&B Data, *Housing and Urban Development (HUD) |           |               |                         |                  |                 |              |

Table 5 illustrates the distribution of FNBD's full-service branch offices and ATMs within the AAs:

| Table 5: Assessment Area Composition, Branches, and ATMs |                                       |       |                            |           |           |
|--|---------------------------------------|-------|----------------------------|-----------|-----------|
| Assessment Area  | MSA or MD                             | MSA # | Counties                   | Branches  | ATMs      |
| Sacramento AA  | Sacramento-Arden-Arcade-Roseville, CA | 40900 | Sacramento, Yolo, Placer   | 7         | 5         |
| Solano AA  | Vallejo-Fairfield, CA                 | 46700 | Solano                     | 4         | 5         |
|  |                                       |       | <b>Total Branches/ATMs</b> | <b>11</b> | <b>10</b> |

*Source: Bank records*

Economic and demographic information is presented under the descriptions of each individual AA.

### **State-Designated Economically Distressed Areas**

The California Enterprise Zone Program targets economically distressed areas throughout California by providing tax, utility, capital expenditure, and credit incentives. It also provides employee recruitment and training assistance; business development and permit assistance; and access to specialized SBA loan programs, loan pools, and industrial development bonds. The goal is to create jobs and to stimulate business growth in regions of low employment and economic distress. FNBD has taken the opportunity to participate in the enterprise zones by providing several community development loans that promote economic development through the creation and retention of jobs.

The following describes in detail the California Enterprise Zones within the bank's CAA:

- The Sacramento Enterprise Zone focuses on economically depressed areas throughout Sacramento, providing special incentives designed to encourage business investment and promote the creation of new jobs including hiring credits, sales-use tax credits, business expense deductions for depreciable equipment, 15-year new operating loss carryovers, net interest deductions for lenders, and state contract bid preferences.
- The West Sacramento Enterprise Zone offers tax credits to encourage business investment and promote the creation of new jobs. Tax incentives are similar to those offered by the Sacramento Enterprise Zone mentioned above.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

FNBD is rated "Satisfactory" under the lending test. Following this review is a full-scope analysis of the geographic distribution and borrower profile for the Sacramento AA. A limited scope review is presented for the Solano AA.

#### Lending in AA

The bank originates a substantial majority of its loans within its CAA. As illustrated in Table 6, 90.2 percent by number and 88.7 percent by dollar volume of total loans were made inside the CAA. This lending performance represents an excellent level of responsiveness by the bank in meeting the credit needs of the CAA. By product, the bank's performance is strongest with regard to small business lending, where 93.7 percent by number and 92.3 percent by dollar volume of total loans were originated inside the CAA.

| Table 6 – Distribution of Loans Made Inside the CAA   |                        |             |                         |             |              |                        |             |                         |             |                |
|---|------------------------|-------------|-------------------------|-------------|--------------|------------------------|-------------|-------------------------|-------------|----------------|
| Loan Type   | Number of Loans        |             |                         |             |              | Dollar Amount of Loans |             |                         |             |                |
|   | Inside Assessment Area |             | Outside Assessment Area |             | Total        | Inside Assessment Area |             | Outside Assessment Area |             | Total          |
|   | #                      | %           | #                       | %           |              | \$ (000)               | %           | \$ (000)                | %           |                |
| <b>Small Business</b>   |                        |             |                         |             |              |                        |             |                         |             |                |
| 2009  | 448                    | 97.2        | 13                      | 2.8         | 461          | 115,309                | 96.5        | 4,225                   | 3.5         | 119,534        |
| 2010  | 348                    | 94.6        | 20                      | 5.4         | 368          | 94,202                 | 93.5        | 6,539                   | 6.5         | 100,741        |
| YTD 2011  | 284                    | 87.7        | 40                      | 12.3        | 324          | 76,565                 | 85.2        | 13,267                  | 14.8        | 89,832         |
| <b>Subtotal</b>   | <b>1080</b>            | <b>93.7</b> | <b>73</b>               | <b>6.3</b>  | <b>1,153</b> | <b>286,076</b>         | <b>92.3</b> | <b>24,031</b>           | <b>7.7</b>  | <b>310,107</b> |
| <b>HMDA</b>   |                        |             |                         |             |              |                        |             |                         |             |                |
| 2009  | 359                    | 86.5        | 56                      | 13.5        | 415          | 92,985                 | 85.3        | 15,969                  | 14.7        | 108,954        |
| 2010  | 253                    | 87.5        | 36                      | 12.5        | 289          | 58,460                 | 85.2        | 10,188                  | 14.8        | 68,648         |
| YTD 2011  | 117                    | 88.6        | 15                      | 11.4        | 132          | 26,248                 | 87.9        | 3,611                   | 12.1        | 29,859         |
| <b>Subtotal</b>   | <b>729</b>             | <b>87.2</b> | <b>107</b>              | <b>12.8</b> | <b>836</b>   | <b>177,693</b>         | <b>85.7</b> | <b>29,768</b>           | <b>14.3</b> | <b>207,461</b> |
| <b>Small Farm</b>   |                        |             |                         |             |              |                        |             |                         |             |                |
| 2009  | 78                     | 88.6        | 10                      | 11.4        | 88           | 13,507                 | 82.5        | 2,862                   | 17.5        | 16,369         |
| 2010  | 82                     | 88.2        | 11                      | 11.8        | 93           | 13,769                 | 82.3        | 2,971                   | 17.7        | 16,740         |
| YTD 2011  | 63                     | 76.8        | 19                      | 23.2        | 82           | 12,361                 | 74.3        | 4,270                   | 25.7        | 16,631         |
| <b>Subtotal</b>   | <b>223</b>             | <b>84.8</b> | <b>40</b>               | <b>15.2</b> | <b>263</b>   | <b>39,637</b>          | <b>79.7</b> | <b>10,103</b>           | <b>20.3</b> | <b>49,740</b>  |
| <b>Total</b>  | <b>2,032</b>           | <b>90.2</b> | <b>220</b>              | <b>9.8</b>  | <b>2,252</b> | <b>503,406</b>         | <b>88.7</b> | <b>63,902</b>           | <b>11.3</b> | <b>567,308</b> |
| Source: Bank records, 2009, 2010, and YTD 2011 HMDA Loan Application Registers (LAR) and Bank Records |                        |             |                         |             |              |                        |             |                         |             |                |

## **Geographic Distribution**

Overall, the geographic distribution of loans reflects excellent dispersion throughout the CAA, including LMI CTs. FNBD's small business geographic distribution performance is excellent, while HMDA and small farm loan geographic distribution is considered reasonable. There were no conspicuous gaps identified in the geographic distribution of lending within the bank's CAA.

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

The geographic distribution of small business loans reflects excellent dispersion throughout the bank's CAA. Table 7 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data and the percentage of total businesses as reported by D&B for 2009 and 2010. In addition, the bank's performance in 2009 is considered relative to the performance of two comparable banks that are headquartered in Sacramento. The two banks had CRA Performance Evaluations conducted with review periods that included all of 2009. Also, the two banks are intermediate small banks per asset size; small business loans are their primary lending products; and both have designated portions of the Sacramento MSA as their primary AA.

| <b>Table 7 – Small Business Loan Geographic Distribution in the CAA</b> |                     |                     |                  |              |                  |              |                      |              |
|---|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Census Tract Income Level</b>  | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| Low   | 7.0                 | 6.3                 | 58               | 13.0         | 42               | 12.1         | 22                   | 7.8          |
| Moderate  | 22.6                | 21.4                | 11               | 24.6         | 80               | 23.0         | 74                   | 26.1         |
| Middle  | 38.4                | 39.4                | 17               | 39.5         | 121              | 34.8         | 128                  | 45.1         |
| Upper   | 32.0                | 32.9                | 10               | 22.9         | 105              | 30.1         | 60                   | 21.0         |
| N/A   | 0.0                 | 0                   | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>        | <b>44</b>        | <b>100.0</b> | <b>348</b>       | <b>100.0</b> | <b>284</b>           | <b>100.0</b> |

*Source: 2009 and 2010 D&B Data and 2009, 2010, and 2011 Bank Records*

As shown in Table 7, the bank's 2009 lending performance in low-income CTs of 13.0 percent significantly exceeded the aggregate lending data and D&B Data of 5.2 percent and 7.0 percent, respectively. Lending performance in moderate-income CTs of 24.6 percent exceeded the aggregate lending data and D&B data of 18.2 percent and 22.6 percent, respectively. The bank's performance in low-income CTs significantly exceeded the performance of the two comparable banks, which is commendable during a significant downturn in the economy. The bank's performance in moderate-income CTs is similar to the comparable bank's performance in these areas.

In 2010, the bank's lending performance in low-income CTs of 12.1 percent reflects a decline in activity, but continues to significantly exceed the aggregate lending data and D&B data of 5.5 percent and 6.3 percent, respectively. Lending in moderate-income CTs of 23.0 percent also reflects a slight decline in activity, but continues to exceed the aggregate lending data and D&B data of 18.2 percent and 21.4 percent, respectively.

The bank's YTD 2011 lending performance in low-income CTs of 7.7 percent reflects further decline in activity, but represents a partial year of loan activity and does not negatively impact the overall performance under this criterion. Conversely, the bank's lending in moderate-income CTs of 26.1 percent reflects a favorable upward trend relative to 2009 and 2010 lending levels.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the CAA. Table 8 illustrates the bank's geographic distribution of home mortgage loans by number and by income level of the CTs. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data and the percentage of owner-occupied units from the 2000 U. S. Census data.

| <b>Table 8 - HMDA Loan Geographic Distribution in the CAA</b>  |  |                                    |                                    |                  |              |                  |              |                          |              |
|--|--|------------------------------------|------------------------------------|------------------|--------------|------------------|--------------|--------------------------|--------------|
| <b>Census Tract<br/>Income Level</b>   | <b>Owner-<br/>Occupied<br/>Housing Units</b> | <b>2009<br/>Aggregate<br/>Data</b> | <b>2010<br/>Aggregate<br/>Data</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011<br/>Bank</b> |              |
|  | <b>%</b>                                     | <b>%</b>                           | <b>%</b>                           | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>                 | <b>%</b>     |
| Low  | 3.2  | 2.1                                | 2.0                                | 3                | 0.8          | 2                | 0.8          | 0                        | 0.0          |
| Moderate   | 18.9   | 11.0                               | 10.1                               | 41               | 11.4         | 28               | 11.1         | 18                       | 15.3         |
| Middle   | 42.5   | 38.3                               | 38.4                               | 136              | 37.9         | 108              | 42.7         | 45                       | 38.5         |
| Upper  | 35.4   | 48.6                               | 49.5                               | 179              | 49.9         | 115              | 45.4         | 54                       | 46.2         |
| N/A  | 0  | 0.0                                | 0.0                                | 0                | 0.0          | 0                | 0.0          | 0                        | 0.0          |
| <b>Total</b>   | <b>100.0</b>                                 | <b>100.0</b>                       | <b>100.0</b>                       | <b>359</b>       | <b>100.0</b> | <b>253</b>       | <b>100.0</b> | <b>117</b>               | <b>100.0</b> |
| <i>Source: 2000 U.S. Census, 2009 and 2010 Aggregate Lending Data, 2009, 2010, and 2011 YTD HMDA LAR</i> |  |                                    |                                    |                  |              |                  |              |                          |              |

As shown in Table 8, the bank's 2009 lending performance in low-income CTs of 0.8 percent is below the aggregate lending data of 2.1 percent and percentage of owner-occupied housing units of 3.2 percent. Lending in moderate-income CTs of 11.4 percent is comparable to the aggregate lending data of 11.0 percent and below the percentage of owner-occupied housing units of 18.9 percent.

In 2010, the bank's lending in low-income CTs of 0.8 percent remained unchanged and below the aggregate lending data of 2.0 percent and the percentage of owner-occupied housing units of 3.2 percent. Lending in moderate-income CTs of 11.1 percent reflects a slight decline in activity, which exceeded the aggregate lending data of 10.1 percent, but remained below the percentage of owner-occupied housing units of 18.9 percent.

The bank's lending performance for YTD 2011 reflects that no loans were made in low-income CTs. Lending in moderate-income CTs of 15.4 percent reflects a favorable upward trend in loan activity.

The bank's performance in low-income CTs is mitigated by the limited number of home mortgage lending opportunities in these areas due to competition. This is demonstrated by the nominal level of lending exhibited by the aggregate lending data and the nominal level of owner-

occupied housing units. Overall, the distribution of home mortgage loans is considered reasonable.

### ***Small Farm Loans***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the CAA. Table 9 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data and the percentage of total farms as reported by D&B for 2009 and 2010.

| <b>Table 9 – Small Farm Loan Geographic Distribution in the CAA</b>             |                     |                     |                  |              |                  |              |                      |              |
|---|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Census Tract Income Level</b>  | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| Low   | 3.7                 | 3.0                 | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| Moderate  | 18.1                | 18.0                | 7                | 9.0          | 14               | 17.1         | 13                   | 20.6         |
| Middle  | 47.6                | 47.7                | 56               | 71.8         | 57               | 69.5         | 42                   | 66.7         |
| Upper   | 30.6                | 31.3                | 15               | 19.2         | 11               | 13.4         | 8                    | 12.7         |
| N/A   | 0.0                 | 0.0                 | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>        | <b>78</b>        | <b>100.0</b> | <b>82</b>        | <b>100.0</b> | <b>63</b>            | <b>100.0</b> |
| <i>Source: 2009 and 2010 D&amp;B Data and 2009, 2010, and 2011 Bank Records</i> |                     |                     |                  |              |                  |              |                      |              |

As shown in Table 9, the bank did not originate any small farm loans in low-income CTs in 2009, 2010, or YTD 2011. The bank's 2009 lending performance in moderate-income CTs of 9.0 percent is below the aggregate lending data and D&B data of 13.2 percent and 18.1 percent, respectively.

In 2010, lending in moderate-income CTs of 17.1 reflects a significant increase in activity, which exceeded the aggregate lending data of 15.1 percent, but is below the D&B data of 18.0 percent.

The bank's YTD 2011 lending performance in moderate-income CTs of 20.6 percent reflects a continued and favorable upward trend.

Again, the bank's lack of performance in low-income CTs is mitigated by the limited opportunities demonstrated by the nominal level of aggregate lending data and D&B data for 2009 and 2010. Competition is greatest in these areas. Overall, the distribution of small farm loans is considered reasonable.

## Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

### *Small Business Loans*

The distribution of small business loans reflects reasonable penetration among businesses with gross annual revenues (GARs) of \$1 million or less. Table 10 illustrates the distribution of small business loans by number and GAR of the businesses. For comparison purposes, the table includes the aggregate lending data for 2009 and 2010 and percentage of total businesses as reported by D&B for 2009 and 2010. In addition, FNBD's performance in 2009 is considered relative to the performance of two comparable banks that are headquartered in Sacramento, California.

| <b>Table 10 – Small Business Loan Borrower Profile in the CAA</b> |                     |                     |                  |              |                  |              |                      |              |
|---|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Gross Annual Revenues</b>                                      | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| ≤\$1 Million  | 75.8                | 76.1                | 217              | 48.4         | 162              | 46.6         | 127                  | 44.7         |
| >\$1 Million  | 4.1                 | 3.9                 | 231              | 51.6         | 186              | 53.4         | 157                  | 55.3         |
| N/A   | 20.1                | 20.0                | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>        | <b>448</b>       | <b>100.0</b> | <b>348</b>       | <b>100.0</b> | <b>284</b>           | <b>100.0</b> |
| <i>Source: 2009, 2010 D&amp;B Data, Bank Records;</i>             |                     |                     |                  |              |                  |              |                      |              |

The analysis shows that FNBD's rate of lending to businesses with GARs of \$1 million or less in 2009 of 48.4 percent exceeded aggregate lending data of 41.7 percent, but is below the D&B data of 75.8 percent. Examiners placed more weight on the comparison to aggregate lending data versus the D&B data, as it is more reflective of the credit needs of small businesses as well as lending opportunities in the CAA. The bank's performance significantly exceeded the performance of comparable bank number 1 by approximately 37.5 percent and was slightly below the performance of comparable bank number 2.

In 2010, the bank's lending to businesses with GARs of \$1 million or less of 46.6 percent reflects a slight downward trend, which exceeded the aggregate lending data of 42.5 percent, but is below the D&B data of 76.1 percent.

The bank's YTD 2011 lending performance to businesses with GARs of \$1 million or less of 44.7 percent reflects a nominal decline in activity, but does not impact the overall analysis given the partial year of data. Compared to the bank's performance at the last CRA Evaluation (46.0 percent in 2007), the bank's lending to businesses with GARs of \$1 million or less reflects a similar level of performance despite a depressed economy.

The bank continues to extend nearly 50.0 percent of total loans to businesses with GARs of \$1 million or below, demonstrating the bank's commitment to meeting the credit needs of small businesses. Given the depressed economy and weakening credit quality, all businesses find it

difficult to qualify for bank loans. It should be noted that D&B data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. As such, the D&B data is primarily considered an indicator of business demographics in the CAA, and is not considered an absolute distribution of credit needs or commercial lending opportunities.

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

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Table 10 illustrates the distribution of loans by borrower income level. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data as a percentage of the total number of loans and the percentage of families from the 2000 U. S. Census data.

| <b>Table 10 - HMDA Loan Borrower Profile in the CAA</b> |                 |                            |                            |                  |              |                  |              |                      |              |
|---|-----------------|----------------------------|----------------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Borrower Income Level</b>                            | <b>Families</b> | <b>2009 Aggregate Data</b> | <b>2010 Aggregate Data</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>        | <b>%</b>                   | <b>%</b>                   | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| Low   | 20.7            | 7.8                        | 7.7                        | 21               | 5.9          | 18               | 7.1          | 11                   | 9.4          |
| Moderate  | 18.5            | 18.5                       | 17.7                       | 57               | 15.9         | 37               | 14.6         | 16                   | 13.7         |
| Middle  | 21.4            | 23.6                       | 22.4                       | 79               | 22.0         | 61               | 24.1         | 30                   | 25.6         |
| Upper   | 39.4            | 41.9                       | 44.7                       | 199              | 55.4         | 136              | 53.8         | 58                   | 49.6         |
| Income Not Available                                    | 0.0             | 8.2                        | 7.5                        | 3                | 0.8          | 1                | 0.4          | 2                    | 1.7          |
| <b>Total</b>  | <b>100.0</b>    | <b>100.0</b>               | <b>100.0</b>               | <b>359</b>       | <b>100.0</b> | <b>253</b>       | <b>100.0</b> | <b>117</b>           | <b>100.0</b> |

*Source: 2000 U.S. Census, 2009 and 2010 Aggregate Lending Data, 2009, 2010, and YTD 2011 HMDA LAR*

As shown in Table 10, the bank's 2009 lending performance to low-income borrowers of 5.9 percent is below the aggregate lending data of 7.8 percent and the percentage of low-income families of 20.7 percent. Lending to moderate-income borrowers of 15.9 percent is below aggregate lending data of 18.5 percent and the percentage of moderate-income families of 18.5 percent. While the bank's performance lagged demographic data, approximately 30.3 percent of the low-income families and 15.7 percent of moderate-income families are below poverty level which would indicate that many of those families rent as opposed to own their own homes.

In 2010, the bank's lending performance to low-income borrowers increased to 7.1 percent over 2009 lending and was similar to the aggregate lending data of 7.7 percent, but was below the percentage of moderate-income families of 20.7 percent. Conversely, lending to moderate-income borrowers decreased slightly to 14.6 percent, which was below the aggregate lending data of 17.7 percent and percentage of moderate-income families of 18.5 percent.

The bank's lending performance YTD 2011 to low-income borrowers increased to 9.4 percent over 2010 lending, while lending to moderate-income borrowers decreased to 13.7 percent. Despite a depressed economy, the bank significantly enhanced its performance to both low- and moderate-income borrowers compared to the last CRA Performance Evaluation at 3.0 percent and 8.0 percent (2007), respectively.



### ***Small Farm Loans***

The distribution of small farm loans reflects excellent penetration among small farms with GARs of \$1 million or less. Table 11 illustrates the distribution of small farm loans by number and GAR of the small farms. For comparison purposes, the table includes the percentage of total farms as reported by D&B for 2009 and 2010.

| <b>Table 11 – Small Farm Loan Borrower Profile in the CAA</b> |                     |                     |                  |              |                  |              |                      |              |
|---|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Gross Annual Revenues</b>                                  | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| ≤\$1 Million  | 94.3                | 93.5                | 63               | 80.8         | 69               | 84.2         | 48                   | 76.2         |
| >\$1 Million  | 3.7                 | 4.0                 | 15               | 19.2         | 13               | 15.8         | 15                   | 23.8         |
| N/A   | 2.0                 | 2.5                 | 0                | 0.0          | 0                | 0.0          | 0.0                  | 0.0          |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>        | <b>78</b>        | <b>100.0</b> | <b>82</b>        | <b>100.0</b> | <b>63</b>            | <b>100.0</b> |
| <i>Source: 2009, 2010 D&amp;B Data, Bank Records</i>          |                     |                     |                  |              |                  |              |                      |              |

As shown in Table 11, FNBD's lending performance to small farms with GARs of \$1 million or less in 2009 of 80.8 percent exceeded aggregate lending data of 70.0 percent, but is below the D&B data of 94.3 percent. Similar to the small business analysis, examiners placed more weight on the comparison to aggregate lending data versus the D&B data, as it is more reflective of the credit needs of small farms as well as lending opportunities in the CAA.

In 2010, the bank's lending to small farms with GARs of \$1 million or less increased to 84.2 percent, which exceeded the aggregate lending data of 65.5 percent, but is below the D&B data of 93.5 percent. The bank's increase in performance relative to a decline in aggregate lending data is noteworthy, particularly in a depressed economy.

The bank's YTD 2011 lending performance to small farms with GARs of \$1 million slightly decreased to 76.2 percent, but does not impact the overall analysis given the partial year of data. Compared to the bank's performance at the last CRA Evaluation (84.0 percent in 2007), the bank's lending to businesses with GARs of \$1 million or less reflects a similar level of performance despite a depressed economy.

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

This measurement of performance gauges the extent to which an institution invests depositors' funds back into the CAA through its lending activity. FNBD's average net LTD ratio of 75.8 percent, demonstrates a reasonable responsiveness to the CAA credit needs, given the institution's size, business model, financial capacity, and competition. For this evaluation, the bank's net average LTD ratio was computed by averaging the ratios of net loans to total deposits, using the 14 quarters since the May 27, 2008, CRA Evaluation. FNBD's quarterly net average LTD ratios have ranged from a low of 69.3 percent on December 31, 2010, to a high of 94.8 percent on March 31, 2010. FNBD's average net LTD ratio represents a reasonable level of responsiveness in comparison to its competitors. Examiners compared the bank's performance to three comparable institutions based on asset size and business strategy with operations located in the bank's CAA.

Table 12 illustrates the bank's net average LTD ratio relative to the comparable banks:

| <b>Table 12 – Loan-to-Deposit Ratio Comparison</b>                              |                                    |
|---|------------------------------------|
| <b>Institution</b>  | <b>Ratio Over Last 14 Quarters</b> |
| FNBD  | 75.8                               |
| Comparable Institution 1  | 80.2                               |
| Comparable Institution 2  | 77.0                               |
| Comparable Institution 3  | 89.3                               |
| <i>Source: Bank Records and CRA Performance Evaluations of comparable banks</i> |                                    |

### **Response to Complaints**

The bank has not received any CRA-related complaints since the last evaluation.

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

No evidence of discriminatory practices or other illegal credit practices, inconsistent with helping to meet community credit needs, was identified during this evaluation.

## **COMMUNITY DEVELOPMENT TEST**

The bank is rated “Outstanding” under the Community Development Test. The institution’s community development performance demonstrates an excellent level of responsiveness to the community development needs of its CAA, considering FNBD’s capacity and the community development opportunities available within the CAA. The Community Development Test comprises the following three components: CDLs, CDIs, and CDSs. The Appendix provides the definition for community development activities.

### **Community Development Lending**

Overall, FNBD has made an excellent level of CDLs, considering the bank’s asset size, financial capacity, economic conditions, and opportunities within its CAA. FNBD has originated 77 qualified CDLs totaling \$104.0 million within the CAA and 2 qualified CDLs totaling \$2.7 million within a broader statewide/regional area. These loans addressed a very critical need within the CAA AA, including affordable housing, community services, economic development, and revitalization or stabilization for the benefit of LMI individuals and/or geographies.

The bank has demonstrated that it is a leader in making CDLs, particularly during the poor state of economy. FNBD has significantly increased CDLs by number (84.0 percent) and by dollar volume (135.0 percent) compared to the last CRA Evaluation. In addition, FNBD’s CDL performance significantly exceeds the performance of two comparable banks headquartered in Sacramento by over 100 percent by number and dollar volume, which is commendable given recent economic conditions.

The dollar volume of total qualified CDLs at \$106.7 million represents approximately 24.9 percent of total net loans (\$428.0 million), 13.9 percent of total assets (\$766.7 million), and 129.3 percent of total equity capital (\$82.5 million) as of the September 30, 2011, Call Report. Table 13 details the number and dollar volume of CDLs originated by community development type and AA.

| Table 13 – Community Development Lending |       |          |                    |          |                                |          |                      |          |                                 |          |
|--|-------|----------|--------------------|----------|--------------------------------|----------|----------------------|----------|---------------------------------|----------|
| Assessment Area                          | Total |          | Affordable Housing |          | Community Development Services |          | Economic Development |          | Revitalization or Stabilization |          |
| 2008                                     | #     | \$ (000) | #                  | \$ (000) | #                              | \$ (000) | #                    | \$ (000) | #                               | \$ (000) |
| Sacramento AA                            | 14    | 19,568   | 2                  | 393      | 2                              | 500      | 8                    | 16,100   | 2                               | 2,575    |
| Solano AA                                | 2     | 1,925    | 1                  | 525      |                                |          |                      |          | 1                               | 1,400    |
| Total - 2008                             | 16    | 21,493   | 3                  | 918      | 2                              | 500      | 8                    | 16,100   | 3                               | 3,975    |
| 2009                                     |       |          |                    |          |                                |          |                      |          |                                 |          |
| Sacramento AA                            | 22    | 30,982   | 2                  | 2,461    | 8                              | 3,489    | 8                    | 17,450   | 4                               | 7,582    |
| Solano AA                                | 1     | 1,000    |                    |          |                                |          | 1                    | 1,000    |                                 |          |
| Total - 2009                             | 23    | 31,982   | 2                  | 2,461    | 8                              | 3,489    | 9                    | 18,450   | 4                               | 7,582    |
| 2010                                     |       |          |                    |          |                                |          |                      |          |                                 |          |
| Sacramento AA                            | 15    | 22,305   | 1                  | 230      | 4                              | 2,250    | 9                    | 17,325   | 1                               | 2,500    |
| Solano AA                                | 1     | 300      | 1                  | 300      |                                |          |                      |          |                                 |          |
| Total - 2010                             | 16    | 22,605   | 2                  | 530      | 4                              | 2,250    | 9                    | 17,325   | 1                               | 2,500    |
| YTD 2011                                 |       |          |                    |          |                                |          |                      |          |                                 |          |
| Sacramento AA                            | 20    | 26,690   | 2                  | 390      | 4                              | 2,200    | 10                   | 16,150   | 4                               | 7,950    |
| Solano AA                                | 2     | 1,300    | 1                  | 300      |                                |          | 1                    | 1,000    |                                 |          |
| Total - YTD 2011                         | 22    | 27,990   | 3                  | 690      | 4                              | 2,200    | 11                   | 17,150   | 4                               | 7,950    |
| Statewide /Regional Areas                | 2     | 2,674    |                    |          |                                |          | 1                    | 1,237    | 1                               | 1,437    |
|  |       |          |                    |          |                                |          |                      |          |                                 |          |
| Grand Total                              | 79    | 106,744  | 10                 | 4,599    | 18                             | 8,439    | 38                   | 70,262   | 13                              | 23,444   |
| Source: Bank records                     |       |          |                    |          |                                |          |                      |          |                                 |          |

As shown in Table 13, a significant majority (89.9 percent by number and 93.3 percent by dollar volume) of CDLs were originated in the Sacramento AA. The Sacramento AA offers more opportunities for community development lending due to its larger population, economic base, and greater percentage of LMI CTs.

A few of the more notable CDLs include the following:

- A \$5 million unsecured revolving line-of-credit (RLOC) to a for-profit construction company located in a moderate-income CT in Woodland, Yolo County, CA, and employs more than 120 employees that reside in the area. This for-profit organization partners with a non-profit affordable housing development organization to develop and construct affordable housing projects statewide including the bank's Sacramento and Solano AAs.
- A \$3 million renewal of a RLOC for operating expenses to a for-profit construction business located in a low-income CT in Yolo County. The company employs 100+ employees many of which are low-income Latinos whom cannot qualify for or do not

have checking accounts. FNBD works with this business to cash its employee's paychecks on a weekly basis, helping them avoid onerous charges imposed by check cashing businesses, and working with the employer to open deposit accounts for its employees.

- A \$2 million RLOC to fund operations of a local non-profit health care organization comprised of seven community clinics that provide a wide range of primary, non-emergency health care services to patrons without health insurance and who cannot afford to pay for health care. More than 60 percent of their clients are uninsured working local residents across the Sacramento AA whose employers do not or cannot provide health care.
- A \$1.8 million renewal of a term loan to a non-profit affordable housing developer secured by 44 units of affordable housing for low-income seniors located in the Sacramento AA.
- A \$525,000 construction and rehabilitation loan and permanent financing for 12 units of affordable housing located in Vacaville, Solano County, CA. The for-profit builder partnered with a non-profit organization that develops and manages affordable housing.
- A \$233,375 term real estate loan to a non-profit organization that provides low rent living accommodations to adults with developmental disabilities located in Yolo County.

### **Community Development Investments**

FNBD's level of qualified CDIs demonstrates an adequate level of and responsiveness to the credit and community development needs based on opportunities for such investments in the CAA, particularly during a poor economy. Examiners identified \$4.8 million in qualified investments with community development as its primary purpose, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period. This represents 0.6 percent of total assets, 5.8 percent of total equity capital, and 3.5 percent to total investments as of the September 30, 2011, Call Report.

The number and dollar volume of qualified community development debt/equity investments have declined since the prior evaluation. Despite a poor economy, the bank managed to make four new investments totaling \$2.1 million all in affordable housing: 1 totaling \$500,000 in Solano County and 3 CAA investments totaling \$1.6 million. Table 14 details the number and dollar volume of qualified CDIs made or held by community development type and AA since the last evaluation:

| <b>Table 14 - Community Development Investments</b> |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
|---|--------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|---------------------------------------|-----------------|--|-----------------|
| <b>Assessment Area</b>                              | <b>Total</b> |                 | <b>Affordable Housing</b> |                 | <b>Economic Development</b> |                 | <b>Community Development Services</b> |                 | <b>Revitalization or Stabilization</b> |                 |
|   | <b>#</b>     | <b>\$ (000)</b> | <b>#</b>                  | <b>\$ (000)</b> | <b>#</b>                    | <b>\$ (000)</b> | <b>#</b>                              | <b>\$ (000)</b> | <b>#</b>                               | <b>\$ (000)</b> |
| <b>Prior Period</b>                                 |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA                                       | 3            | 1,961           | 2                         | 1,801           | 0                           | 0               | 1                                     | 160             | 0                                      | 0               |
| Solano AA   | 1            | 600             | 0                         | 0               | 0                           | 0               | 1                                     | 600             | 0                                      | 0               |
| <b>Total - Prior Period</b>                         | <b>4</b>     | <b>2,561</b>    | <b>2</b>                  | <b>1801</b>     | <b>0</b>                    | <b>0</b>        | <b>2</b>                              | <b>760</b>      | <b>0</b>                               | <b>0</b>        |
| <b>2008</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA                                       | 0            | 0               | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| Solano AA   | 0            | 0               | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| <b>Total - 2008</b>                                 | <b>0</b>     | <b>0</b>        | <b>0</b>                  | <b>0</b>        | <b>0</b>                    | <b>0</b>        | <b>0</b>                              | <b>0</b>        | <b>0</b>                               | <b>0</b>        |
| <b>2009</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA                                       | 1            | 616             | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| Solano AA   |              |                 | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| <b>Total - 2009</b>                                 | <b>1</b>     | <b>616</b>      | <b>0</b>                  | <b>0</b>        | <b>0</b>                    | <b>0</b>        | <b>0</b>                              | <b>0</b>        | <b>0</b>                               | <b>0</b>        |
| <b>2010</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA                                       | 0            | 0               | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| Solano AA   | 0            | 0               | 0                         | 0               | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| <b>Total - 2010</b>                                 | <b>0</b>     | <b>0</b>        | <b>0</b>                  | <b>0</b>        | <b>0</b>                    | <b>0</b>        | <b>0</b>                              | <b>0</b>        | <b>0</b>                               | <b>0</b>        |
| <b>YTD 2011</b>                                     |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA                                       | 2            | 1,033           | 2                         | 1,033           | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| Solano AA   | 1            | 500             | 1                         | 500             | 0                           | 0               | 0                                     | 0               | 0                                      | 0               |
| <b>Total YTD - 2011</b>                             | <b>3</b>     | <b>1,533</b>    | <b>3</b>                  | <b>1,533</b>    | <b>0</b>                    | <b>0</b>        | <b>0</b>                              | <b>0</b>        | <b>0</b>                               | <b>0</b>        |
| <b>Grand Total</b>                                  | <b>8</b>     | <b>4,710</b>    | <b>6</b>                  | <b>3,950</b>    | <b>0</b>                    | <b>0</b>        | <b>2</b>                              | <b>760</b>      | <b>0</b>                               | <b>0</b>        |
| <i>Source: Bank records</i>                         |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |

The following are notable examples of the bank's qualified investments:

- A \$1 million investment in a 60-unit affordable housing project for seniors located in the Sacramento AA. The units are provided to seniors who are living at or below 50.0 percent of the area's median income.
- A \$500,000 investment in a mixed-use facility that will serve the homeless population in Solano County. When completed, the 163-bed transitional housing complex will provide a strategic life changing program to the poor and destitute. While food, housing, and clothing will be provided, the core focus will be vocational education and life skills training to assist the homeless population served in achieving personal economic stability.
- A \$616,000 investment in 44 units of affordable housing in Woodland, CA, Yolo County, available to LMI individuals and families making between 30.0-50.0 percent of the area's median income.
- A \$2.4 million prior period equity investment in an affordable housing tax credit with current balance of \$901,385. The investment is secured by a 116-unit development of an

independent living facility for seniors 55 years of age and older located in Sacramento County. This facility consists of nine garden style buildings with income restricted to seniors with income less than 80 percent of the adjusted median income.

Table 15 details the number and dollar volume of qualified grants/donations made by CDI type and AA since the last evaluation:

| <b>Table 15 – Community Development Contributions</b> |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
|---|--------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|---------------------------------------|-----------------|--|-----------------|
| <b>Assessment Area</b>                                | <b>Total</b> |                 | <b>Affordable Housing</b> |                 | <b>Economic Development</b> |                 | <b>Community Development Services</b> |                 | <b>Revitalization or Stabilization</b> |                 |
|   | <b>#</b>     | <b>\$ (000)</b> | <b>#</b>                  | <b>\$ (000)</b> | <b>#</b>                    | <b>\$ (000)</b> | <b>#</b>                              | <b>\$ (000)</b> | <b>#</b>                               | <b>\$ (000)</b> |
| <b>2008</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA   | 8            | 12              | 0                         | 0               | 0                           | 0               | 8                                     | 12              | 0                                      | 0               |
| Solano AA   | 5            | 3               | 0                         | 0               | 1                           | 1               | 4                                     | 2               | 0                                      | 0               |
| <b>Total - 2008</b>                                   | <b>13</b>    | <b>15</b>       | <b>0</b>                  | <b>0</b>        | <b>1</b>                    | <b>1</b>        | <b>12</b>                             | <b>14</b>       | <b>0</b>                               | <b>0</b>        |
| <b>2009</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA   | 23           | 17              | 0                         | 0               | 0                           | 0               | 23                                    | 17              | 0                                      | 0               |
| Solano AA   | 9            | 26              | 0                         | 0               | 1                           | 2               | 8                                     | 24              | 0                                      | 0               |
| <b>Total - 2009</b>                                   | <b>32</b>    | <b>43</b>       | <b>0</b>                  | <b>0</b>        | <b>1</b>                    | <b>2</b>        | <b>31</b>                             | <b>41</b>       | <b>0</b>                               | <b>0</b>        |
| <b>2010</b>   |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA   | 20           | 29              | 0                         | 0               | 0                           | 0               | 20                                    | 29              | 0                                      | 0               |
| Solano AA   | 11           | 22              | 0                         | 0               | 1                           | 1               | 10                                    | 21              | 0                                      | 0               |
| <b>Total - 2010</b>                                   | <b>31</b>    | <b>51</b>       | <b>0</b>                  | <b>0</b>        | <b>1</b>                    | <b>1</b>        | <b>30</b>                             | <b>50</b>       | <b>0</b>                               | <b>0</b>        |
| <b>YTD 2011</b>                                       |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |
| Sacramento AA   | 18           | 8               | 0                         | 0               | 0                           | 0               | 18                                    | 8               | 0                                      | 0               |
| Solano AA   | 14           | 17              | 0                         | 0               | 1                           | 1               | 13                                    | 16              | 0                                      | 0               |
| <b>Total YTD - 2011</b>                               | <b>32</b>    | <b>25</b>       | <b>0</b>                  | <b>0</b>        | <b>1</b>                    | <b>1</b>        | <b>31</b>                             | <b>24</b>       | <b>0</b>                               | <b>0</b>        |
| <b>Grand Total</b>                                    | <b>108</b>   | <b>134</b>      | <b>0</b>                  | <b>0</b>        | <b>4</b>                    | <b>5</b>        | <b>104</b>                            | <b>129</b>      | <b>0</b>                               | <b>0</b>        |
| <i>Source: Bank records</i>                           |              |                 |                           |                 |                             |                 |                                       |                 |  |                 |

The following are notable examples of the bank's qualified donations:

- A \$17,000 grant to a Yolo County court-appointed program that provides community services that assists abused and neglected children.
- A \$5,000 grant to a city fund that makes donations to organizations that provide community services targeted to LMI families, youth, and seniors.
- A \$2,000 grant to a non-profit economic development organization that provides services to attract, develop, and maintain businesses in Solano County.
- A \$2,331 grant to a local cooperative development fund that awards grants to local organizations that provide food and social services to those in need in Sacramento County.

## Community Development Services

FNBD's level of CDSs demonstrates an adequate responsiveness to the community development needs within the bank's CAA. During the review period, a total of 13 bank participants provided financial expertise and/or technical assistance to 23 different qualified community development organizations or programs, totaling approximately 485 hours. These CDSs are centered primarily in the Sacramento AA. These organizations are committed to community development activities that benefit small businesses or LMI individuals and geographies in the bank's CAA. All of the services provided meet the definition of community development and relate to the provision of financial services as required by the regulation for consideration under the definition of CDSs. The bank's CDS hours have declined since the last CRA Evaluation. In addition, the bank's level of CDS hours is below two comparable banks headquartered in Sacramento, but considered adequate despite the challenging economic conditions. Table 16 details FNBD's CDSs by number of the bank's participants providing services, as well as the number of hours served during the review period:

| <b>Table 16 – Community Development Services</b>   |              |              |                           |              |                             |              |                                       |              |  |              |
|--|--------------|--------------|---------------------------|--------------|-----------------------------|--------------|---------------------------------------|--------------|--|--------------|
| <b>Assessment Area</b>   | <b>Total</b> |              | <b>Affordable Housing</b> |              | <b>Economic Development</b> |              | <b>Community Development Services</b> |              | <b>Revitalization or Stabilization</b> |              |
| <b>2008</b>  |              |              |                           |              |                             |              |                                       |              |  |              |
|  | <b>#</b>     | <b>Hours</b> | <b>#</b>                  | <b>Hours</b> | <b>#</b>                    | <b>Hours</b> | <b>#</b>                              | <b>Hours</b> | <b>#</b>                               | <b>Hours</b> |
| Sacramento AA  | 5            | 120          | 1                         | 16           | 2                           | 29           | 2                                     | 75           | 0                                      | 0            |
| Solano AA  | 2            | 10           |                           | 0            | 1                           | 6            | 1                                     | 4            | 0                                      | 0            |
| <b>Total - 2008</b>  | <b>7</b>     | <b>130</b>   | <b>1</b>                  | <b>16</b>    | <b>3</b>                    | <b>35</b>    | <b>3</b>                              | <b>79</b>    | <b>0</b>                               | <b>0</b>     |
| <b>2009</b>  |              |              |                           |              |                             |              |                                       |              |  |              |
| Sacramento AA  | 9            | 136          | 2                         | 23           | 3                           | 35           | 4                                     | 78           | 0                                      | 0            |
| Solano AA  | 0            | 0            | 0                         | 0            | 0                           | 0            | 0                                     | 0            | 0                                      | 0            |
| <b>Total - 2009</b>  | <b>9</b>     | <b>136</b>   | <b>2</b>                  | <b>23</b>    | <b>3</b>                    | <b>35</b>    | <b>4</b>                              | <b>78</b>    | <b>0</b>                               | <b>0</b>     |
| <b>2010</b>  |              |              |                           |              |                             |              |                                       |              |  |              |
| Sacramento AA  | 3            | 58           | 0                         | 0            | 1                           | 3            | 2                                     | 55           | 0                                      | 0            |
| Solano AA  | 0            | 0            | 0                         | 0            | 0                           | 0            | 0                                     | 0            | 0                                      | 0            |
| <b>Total - 2010</b>  | <b>3</b>     | <b>58</b>    | <b>0</b>                  | <b>0</b>     | <b>1</b>                    | <b>3</b>     | <b>2</b>                              | <b>55</b>    | <b>0</b>                               | <b>0</b>     |
| <b>YTD 2011</b>  |              |              |                           |              |                             |              |                                       |              |  |              |
| Sacramento AA  | 3            | 141          | 2                         | 105          | 0                           | 0            | 1                                     | 36           | 0                                      | 0            |
| Solano AA  | 2            | 20           | 0                         | 0            | 1                           | 2            | 1                                     | 18           | 0                                      | 0            |
| <b>Total YTD 2011</b>  | <b>5</b>     | <b>161</b>   | <b>2</b>                  | <b>105</b>   | <b>1</b>                    | <b>2</b>     | <b>2</b>                              | <b>54</b>    | <b>0</b>                               | <b>0</b>     |
| <b>Grand Total</b>   | <b>24</b>    | <b>485</b>   | <b>5</b>                  | <b>144</b>   | <b>8</b>                    | <b>75</b>    | <b>11</b>                             | <b>266</b>   | <b>0</b>                               | <b>0</b>     |
| <i>Source: Bank records. Note that the grand total includes employees each year, while the analysis considers each employee serving different organizations during the period of review to avoid duplication and skewing the analysis.</i> |              |              |                           |              |                             |              |                                       |              |  |              |

The following are notable examples of CDSs:

- A bank officer provided over 100 hours serving as treasurer for a non-profit organization that houses and provides services to mentally handicapped individuals.

- A bank officer served on a city community development advisory committee for the Teacher/Public Safety First-Time Home Buyers Grant/Loan Program in the Solano AA.
- A bank officer served as a Board member of a non-profit food bank in Yolo County.
- A bank executive officer served as a Board member for a non-profit affordable housing organization that plans and carries out acquisition and development of low-income housing in the Sacramento AA.
- A bank employee served as a Board member of a non-profit that provides critical services to families in need.
- A bank officer served on the Board of a non-profit affordable housing development organization in the Sacramento AA.
- A bank employee served on a loan committee of a local city economic development program that provides loans to businesses in the Solano AA.



## **METROPOLITAN AREAS EVALUATED USING FULL-SCOPE EXAMINATION PROCEDURES**

### **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 activities, CDLs, qualified investments, and services. FNBD operates seven full-service branch offices in the Sacramento AA. Of the seven branch offices, one branch office is located in a low-income CT, one branch office is located in a moderate-income CT, four branch offices are located in middle-income CTs, and one branch office is located in an upper-income CT. The Sacramento AA accounts for the following:

- Approximately 64.0 percent of the institution's branch network
- Approximately 89.0 percent of the total CTs within the CAA
- Approximately 71.0 percent of the institution's total deposits
- Approximately 73.0 percent by number of the institution's total small business loans, 71.0 percent of total home mortgage loans, and 77.0 percent of total small farm loans originated
- Approximately 90.0 percent by number and 93.0 percent by dollar volume of total qualified CDLs originated
- Approximately 76.0 percent by dollar volume of total qualified investments, grants and donations made
- Approximately 94.0 percent by number of total community development service hours conducted

#### **Competition and Market Share Profile**

Competition within the Sacramento AA is strong. As of June 30, 2011, FNBD competed with 44 other FDIC-insured banking or savings institutions operating 426 offices within the Sacramento AA. FNBD's market share of deposits within the Sacramento AA was 1.4 percent, representing a 12<sup>th</sup> place ranking. Additionally, FNBD competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout the Sacramento AA.

### **DESCRIPTION OF OPERATIONS IN THE SACRAMENTO AA**

#### **Demographic and Economic Profile**

The Sacramento AA consists of all of Sacramento, Yolo, and Placer Counties, which is located in the Sacramento-Arden-Arcade-Roseville MSA #40900. The Sacramento AA contains 367 CTs: 28 low-, 94 moderate-, 141 middle-, and 104 upper-income.

Table 17 details a breakdown of the population and CTs by demographic characteristics of the Sacramento AA:

| Table 17: Select Demographic Characteristics of the Sacramento AA |           |               |                      |                  |                 |              |
|---|-----------|---------------|----------------------|------------------|-----------------|--------------|
| Demographic Characteristics                                       | #         | Low<br>% of # | Moderate<br>% of #   | Middle<br>% of # | Upper<br>% of # | NA<br>% of # |
| Census Tracts   | 367       | 7.6           | 25.6                 | 38.4             | 28.4            | 0.0          |
| Population by Census Tract Income Level                           | 1,640,558 | 7.2           | 26.3                 | 37.6             | 28.9            | 0.0          |
| Owner-Occupied Housing Units by Census Tract Income Level         | 67,904    | 3.7           | 19.5                 | 40.6             | 36.2            | 0.0          |
| Businesses by Census Tract Income Level                           | 150,990   | 7.8           | 22.7                 | 36.6             | 32.9            | 0.0          |
| Families by Income Level  | 405,803   | 21.1          | 18.5                 | 20.9             | 39.5            | 0.0          |
| Families by Census Tract Income Level                             | 405,803   | 6.0           | 24.3                 | 38.9             | 30.8            | 0.0          |
| Median Family Income  |           | \$53,805      | Median Housing Value | \$169,871        |                 |              |
| HUD Adjusted Median Family Income for 2010                        |           | \$73,100      |                      |                  |                 |              |
| Households Below Poverty Level                                    |           | 9.0%          |                      |                  |                 |              |

Source: 2000 U.S. Census Data, and, 2010 D&B Data

According to Moody's the Sacramento AA remains the last major California metropolitan area in recession. Some industries are improving, particularly construction and leisure/hospitality, which has lifted employment numbers. As a result, the unemployment rate has fallen close to 12 percent but remains 3 percentage points above the U.S. rate at 9 percent. The housing market is further from recovery than the rest of the economy. House prices are edging downward and residential construction remains at a historic low point.

State budget weaknesses will extend to local governments. Beginning in July 2011, local redevelopment agencies were required to divert some of their property tax revenues to help fund local education or face elimination. Previously, redevelopment funds were used to help revitalize Sacramento's blighted downtown area, and their use has been suggested in proposals for a new National Basketball Association arena. The largest employers for the Sacramento AA area include: University of California, Davis; Kaiser Permanente; U.S. Davis Health Services; and Sutter Health Sacramento Sierra Region.

### **Community Contact**

During the course of this CRA Evaluation, one current community contact was considered in developing the bank's performance context and in the evaluation of the bank's CRA performance. The contact is a community based economic development organization serving Sacramento County and promotes economic development by providing funding and grants programs that help new businesses and other established businesses looking to expand. The organization also partners with other organizations to promote economic development in Sacramento County. This contact indicated a need for financing for small businesses. The contact also indicated ample opportunity for bank participation by getting involved in the development of the manufacturing sector.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SACRAMENTO AA

### LENDING TEST

Overall, FNBD's lending performance in the Sacramento AA is consistent with its performance in the CAA. A more detailed analysis of the geographic distribution and borrower profile performance follows.

#### Geographic Distribution

Overall, the geographic distribution of loans reflects excellent dispersion throughout the Sacramento AA, including LMI CTs. FNBD's small business geographic distribution performance is excellent, while home mortgage and small farm loan geographic distribution is considered reasonable.

#### *Small Business Loans*

The geographic distribution of small business loans reflects excellent dispersion throughout the bank's Sacramento AA, particularly low-income CTs. Table 18 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes the percentage of total businesses as reported by D&B for 2009 and 2010.

| <b>Table 18 – Small Business Loan Geographic Distribution in the Sacramento AA</b> |                         |                         |                      |              |                      |              |                      |              |
|--|-------------------------|-------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
| <b>Census Tract<br/>Income Level</b>   | <b>2009<br/>D&amp;B</b> | <b>2010<br/>D&amp;B</b> | <b>2009<br/>Bank</b> |              | <b>2010<br/>Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|  | <b>%</b>                | <b>%</b>                | <b>#</b>             | <b>%</b>     | <b>#</b>             | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| Low  | 7.8                     | 7.0                     | 58                   | 18.1         | 42                   | 16.2         | 22                   | 10.6         |
| Moderate   | 22.7                    | 21.5                    | 79                   | 24.6         | 64                   | 24.7         | 64                   | 30.8         |
| Middle   | 36.6                    | 37.8                    | 92                   | 28.7         | 67                   | 25.9         | 75                   | 36.1         |
| Upper  | 32.9                    | 33.7                    | 92                   | 28.7         | 86                   | 33.2         | 47                   | 22.6         |
| N/A  | 0.0                     | 0.0                     | 0                    | 0.0          | 0                    | 0.0          | 0                    | 0.0          |
| <b>Total</b>   | <b>100.0</b>            | <b>100.0</b>            | <b>321</b>           | <b>100.0</b> | <b>259</b>           | <b>100.0</b> | <b>208</b>           | <b>100.0</b> |
| <i>Source: 2009, 2010 D&amp;B Data and 2009, 2010, and 2011 Bank Records</i>       |                         |                         |                      |              |                      |              |                      |              |

As shown in Table 18, the bank's 2009 lending performance in low-income CTs of 18.1 percent significantly exceeded the aggregate lending data and D&B Data of 5.6 percent and 7.8 percent, respectively. Lending performance in moderate-income CTs of 24.6 percent exceeded the aggregate lending data and D&B data of 18.0 percent and 22.7 percent, respectively.

In 2010, the bank's lending performance in low-income CTs of 16.2 percent reflects a decline in activity, but continues to significantly exceed the aggregate lending data and D&B data of 5.9 percent and 7.0 percent, respectively. Lending in moderate-income CTs of 24.7 percent is consistent with 2009 performance, and continued to exceed the aggregate lending data and D&B data of 18.6 percent and 21.5 percent, respectively.

The bank's YTD 2011 lending performance in low-income CTs of 10.6 percent reflects further decline in activity, but represents a partial year of loan activity and does not negatively impact the overall performance under this criterion. Conversely, the bank's lending in moderate-income CTs of 30.8 percent reflects a favorable upward trend relative to 2009 and 2010 lending levels.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Sacramento AA. Table 19 illustrates the bank's geographic distribution of home mortgage loans by number and by income level of the CTs. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data and the percentage of owner-occupied units from the 2000 U. S. Census data.

| <b>Table 19: HMDA Loan Geographic Distribution in the Sacramento AA</b>                                  |  |                                    |                                    |                  |              |                  |              |                          |              |
|--|--|------------------------------------|------------------------------------|------------------|--------------|------------------|--------------|--------------------------|--------------|
| <b>Census Tract<br/>Income Level</b>   | <b>Owner-<br/>Occupied<br/>Housing Units</b> | <b>2009<br/>Aggregate<br/>Data</b> | <b>2010<br/>Aggregate<br/>Data</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011<br/>Bank</b> |              |
|  | <b>%</b>                                     | <b>%</b>                           | <b>%</b>                           | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>                 | <b>%</b>     |
| Low  | 3.7  | 2.3                                | 2.2                                | 3                | 1.2          | 2                | 1.1          | 0                        | 0.0          |
| Moderate   | 19.5   | 11.0                               | 10.2                               | 29               | 11.6         | 22               | 11.8         | 15                       | 18.3         |
| Middle   | 40.6   | 36.1                               | 36.3                               | 81               | 32.3         | 71               | 37.9         | 28                       | 34.2         |
| Upper  | 36.2   | 50.6                               | 51.3                               | 138              | 54.9         | 92               | 49.2         | 39                       | 47.5         |
| N/A  | 0.0  | 0.0                                | 0.0                                | 0                | 0.0          | 0                | 0.0          | 0                        | 0.0          |
| <b>Total</b>   | <b>100.0</b>                                 | <b>100.0</b>                       | <b>100.0</b>                       | <b>251</b>       | <b>100.0</b> | <b>187</b>       | <b>100.0</b> | <b>82</b>                | <b>100.0</b> |
| <i>Source: 2000 U.S. Census, 2009 and 2010 Aggregate Lending Data, 2009, 2010, and 2011 YTD HMDA LAR</i> |  |                                    |                                    |                  |              |                  |              |                          |              |

As shown in Table 19, the bank's 2009 lending performance in low-income CTs of 1.2 percent is below the aggregate lending data of 2.3 percent and percentage of owner-occupied housing units of 3.7 percent. Lending in moderate-income CTs of 11.6 percent exceeded the aggregate lending data of 11.0 percent and is below the percentage of owner-occupied housing units of 19.5 percent.

In 2010, the bank's lending in low-income CTs of 1.1 percent is consistent with the 2009 performance, which is below the aggregate lending data of 2.2 percent and the percentage of owner-occupied housing units of 3.7 percent. Lending in moderate-income CTs increased to 11.8 percent, which exceeded the aggregate lending data of 10.2 percent, but remained below the percentage of owner-occupied housing units of 19.5 percent.

For YTD 2011, the bank did not originate any loans within low income CTs. Lending in moderate-income CTs increased to 18.3 percent and reflects a favorable upward trend. As previously mentioned in the CAA for this criterion, the bank's performance in low-income CTs is mitigated by the limited number of home mortgage lending opportunities in these areas as demonstrated by the nominal level of lending by the aggregate lending data and the nominal level of owner-occupied housing units. Competition is greatest in these areas given the limited lending opportunities. Overall, the distribution of home mortgage loans is reasonable.

### ***Small Farm Loans***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Sacramento AA. Table 20 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes the percentage of total farms as reported by D&B for 2009 and 2010.

| <b>Table 20 / Small Farm Loans Geographic Distribution in the Sacramento AA</b>   |                         |                         |                      |              |                      |              |                      |              |
|---|-------------------------|-------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
| <b>Census Tract<br/>Income Level</b>  | <b>2009<br/>D&amp;B</b> | <b>2010<br/>D&amp;B</b> | <b>2009<br/>Bank</b> |              | <b>2010<br/>Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>                | <b>%</b>                | <b>#</b>             | <b>%</b>     | <b>#</b>             | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| Low   | 4.3                     | 3.6                     | 0                    | 0.0          | 0                    | 0.0          | 0                    | 0.0          |
| Moderate  | 19.5                    | 19.3                    | 7                    | 11.5         | 14                   | 22.2         | 12                   | 25.5         |
| Middle  | 45.6                    | 45.6                    | 47                   | 77.1         | 46                   | 73.0         | 33                   | 70.2         |
| Upper   | 30.6                    | 31.5                    | 7                    | 11.4         | 3                    | 4.8          | 2                    | 4.3          |
| N/A   | 0                       | 0.0                     | 0                    | 0.0          | 0                    | 0.0          | 0                    | 0.0          |
| <b>Total</b>  | <b>100.0</b>            | <b>100.0</b>            | <b>61</b>            | <b>100.0</b> | <b>63</b>            | <b>100.0</b> | <b>47</b>            | <b>100.0</b> |
| <i>Source: 2009, 2010 D&amp;B Data and 2009, 2010, and 2011 YTD, Bank Records</i> |                         |                         |                      |              |                      |              |                      |              |

As shown in Table 20, the bank did not originate any small farm loans in low-income CTs in 2009, 2010, or YTD 2011. The bank's 2009 lending performance in moderate-income CTs of 11.5 percent is below the aggregate lending data and D&B data of 15.1 percent and 19.5 percent, respectively.

In 2010, lending in moderate-income CTs of 22.2 percent reflects a significant increase in activity, which exceeded both the aggregate lending data of 17.2 percent, but is below the D&B data of 19.3 percent.

The bank's YTD 2011 lending performance in moderate-income CTs increased to 25.5 percent, which reflects a continued and favorable upward trend.

Again, the bank's lack of performance in low-income CTs is mitigated by the limited small farm lending opportunities demonstrated by the nominal level of lending activities illustrated by the aggregate lending data numbers and D&B data for 2009 and 2010. Competition is greatest in these areas. Overall, the distribution of small farm loans is considered reasonable.

### **Borrower's Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

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

The distribution of small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less. Table 21 illustrates the distribution of small business loans by number and GAR of the businesses. For comparison purposes, the table includes the percentage of total businesses as reported by D&B for 2009 and 2010.

| <b>Table 21 - Small Business Loan Borrower Profile in the Sacramento AA</b>   |                     |                     |                  |              |                  |              |                      |              |
|---|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Gross Annual Revenues</b>  | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|   | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| <b>≤\$1 Million</b>   | 75.6                | 75.6                | 150              | 46.7         | 123              | 47.5         | 93                   | 44.7         |
| <b>&gt;\$1 Million</b>  | 4.2                 | 4.0                 | 171              | 53.3         | 136              | 52.5         | 115                  | 55.3         |
| <b>Revenue not Reported</b>   | 20.2                | 20.4                | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>        | <b>321</b>       | <b>100.0</b> | <b>259</b>       | <b>100.0</b> | <b>208</b>           | <b>100.0</b> |
| <i>Source: 2009, 2010 D&amp;B Data and 2009, 2010, 2011 YTD, Bank Records</i> |                     |                     |                  |              |                  |              |                      |              |

The analysis shows that FNBD's lending performance to businesses with GARs of \$1 million or less in 2009 of 46.7 percent exceeded aggregate lending data of 42.0 percent, but is below the D&B data of 75.6 percent. Examiners placed more weight on the comparison to aggregate lending data verses the D&B data, as it is more reflective of the credit needs of small businesses as well as lending opportunities in the Sacramento AA.

In 2010, the bank's lending to businesses with GARs of \$1 million or less increased to 47.5 percent, which exceeded the aggregate lending data of 42.7 percent, but is below the D&B data of 75.6 percent.

The bank's YTD 2011 lending performance to businesses with GARs of \$1 million or less of 44.7 percent reflects a moderate decline in activity, but does not impact the overall analysis given the partial year of data. Compared to the bank's performance at the last CRA Evaluation (39.0 percent in 2007), the bank's lending to businesses with GARs of \$1 million or less reflects an increase (14.6 percent) in performance despite a depressed economy.

Consistent with the performance in the CAA, the bank continues to extend nearly 50.0 percent of total loans to businesses with GARs of \$1 million or below, demonstrating the bank's commitment to meeting the credit needs of small businesses in the Sacramento AA.

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

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Table 22 illustrates the distribution of home mortgage loans by the borrower income level. For comparison purposes, the analysis includes 2009 and 2010 aggregate lending data as a percentage of the total number of loans and the percentage of families from the 2000 U. S. Census data.

Table 22: HMDA Loan Borrower Profile in the Sacramento AA

| Borrower Income Level | Families     | 2009 Aggregate Data | 2010 Aggregate Data | 2009 Bank  |              | 2010 Bank  |              | YTD 2011 Bank |              |
|-----------------------|--------------|---------------------|---------------------|------------|--------------|------------|--------------|---------------|--------------|
|                       | %            | %                   | %                   | #          | %            | #          | %            | #             | %            |
| Low                   | 21.1         | 7.8                 | 7.7                 | 15         | 6.0          | 9          | 4.8          | 9             | 11.0         |
| Moderate              | 18.5         | 17.9                | 17.3                | 37         | 14.7         | 26         | 13.9         | 11            | 13.4         |
| Middle                | 20.9         | 23.2                | 22.2                | 50         | 19.9         | 45         | 24.1         | 21            | 25.6         |
| Upper                 | 39.5         | 43.2                | 45.7                | 146        | 58.2         | 106        | 56.7         | 40            | 48.8         |
| Revenue Not Reported  | 0.0          | 7.9                 | 7.1                 | 3          | 1.2          | 1          | 0.5          | 1             | 1.2          |
| <b>Total</b>          | <b>100.0</b> | <b>100.0</b>        | <b>100.0</b>        | <b>251</b> | <b>100.0</b> | <b>187</b> | <b>100.0</b> | <b>82</b>     | <b>100.0</b> |

Source: 2000 U.S. Census, 2009 and 2010 Aggregate Lending Data, 2008, 2009, and 2010 HMDA LAR

The analysis shows that the bank's 2009 lending performance to low-income borrowers of 6.0 percent is below the aggregate lending data of 7.8 percent and the percentage of low-income families of 21.1 percent. Lending to moderate-income borrowers of 14.7 percent is below aggregate lending data of 17.9 percent and the percentage of moderate-income families of 18.5 percent. While the bank's performance lagged demographic data, approximately 30.3 percent of the low-income families and 16.4 percent of the moderate-income families are below poverty level.

In 2010, the bank's lending performance to low-income borrowers decreased to 4.8 percent, which is below the aggregate lending data of 7.7 percent and the percentage of moderate-income families of 21.1 percent. Lending to moderate-income borrowers decreased to 13.9 percent, which was below the aggregate lending data of 17.3 percent and percentage of moderate-income families of 18.5 percent.

The bank's YTD 2011 lending performance to low-income borrowers of 11.0 percent reflects a significant increase over the 2010 level, while lending to moderate-income borrowers of 13.4 percent reflects a nominal decrease in performance.

Despite a depressed economy, the bank significantly enhanced its performance to both LMI borrowers compared to the last CRA Performance Evaluation at 1.0 percent and 9.0 percent (2007), respectively.

### ***Small Farm Loans***

The distribution of small farm loans reflects excellent penetration among small farms with GARs of \$1 million or less. Table 23 illustrates the distribution of small farm loans by number and GAR of the small farms. For comparison purposes, the table includes the percentage of total farms as reported by D&B for 2009 and 2010.

| <b>Table 23 – Small Farm Loan Borrower Profile in the Sacramento AA</b>              |                     |                     |                  |              |                  |              |                      |              |
|--|---------------------|---------------------|------------------|--------------|------------------|--------------|----------------------|--------------|
| <b>Gross Annual Revenues</b>   | <b>2009 D&amp;B</b> | <b>2010 D&amp;B</b> | <b>2009 Bank</b> |              | <b>2010 Bank</b> |              | <b>YTD 2011 Bank</b> |              |
|  | <b>%</b>            | <b>%</b>            | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| <b>≤\$1 Million</b>  | 94.3                | 93.3                | 54               | 88.5         | 57               | 90.5         | 39                   | 83.0         |
| <b>&gt;\$1 Million</b>   | 3.6                 | 4.1                 | 7                | 11.5         | 6                | 9.5          | 8                    | 17.0         |
| <b>Revenue not Reported</b>  | 2.1                 | 2.6                 | 0                | 0.0          | 0                | 0.0          | 0                    | 0.0          |
| <b>Total</b>   | <b>100.0</b>        | <b>100.0</b>        | <b>61</b>        | <b>100.0</b> | <b>63</b>        | <b>100.0</b> | <b>47</b>            | <b>100.0</b> |
| <i>Source: 2009 and 2010 D&amp;B Data and 2009, 2010, and 2011 YTD, Bank Records</i> |                     |                     |                  |              |                  |              |                      |              |

The analysis shows that FNBD's lending performance to small farms with GARs of \$1 million or less in 2009 of 88.5 percent exceeded aggregate lending data of 71.1 percent, but is below the D&B data of 94.3 percent. Similar to the small business analysis, examiners placed more weight on the comparison to aggregate lending data versus the D&B data, as it is more reflective of the credit needs of small farms as well as lending opportunities in the Sacramento AA.

In 2010, the bank's lending to small farms with GARs of \$1 million or less increased to 90.5 percent, which exceeded the aggregate lending data of 67.5 percent, but is below the D&B data of 93.3 percent. The bank's increase in performance relative to a decline in aggregate lending data is noteworthy, particularly in a depressed economy.

The bank's YTD 2011 lending performance to small farms with GARs of \$1 million slightly decreased to 83.0 percent, but does not impact the overall analysis given the partial year of data. Compared to the bank's performance at the last CRA Evaluation (90.0 percent in 2007), the bank's lending to businesses with GARs of \$1 million or less is generally similar to their past performance despite a depressed economy.



## **COMMUNITY DEVELOPMENT TEST**

The bank's community development performance in the Sacramento AA is consistent with the overall community development test conclusions.

### **CDLs**

FNBD originated 71 CDLs in the Sacramento AA totaling approximately \$99.6 million. The qualified CDLs originated by FNBD were primarily targeted to organizations which provided affordable housing and community services to LMI individuals.

### **Community Development Investments**

Six investments and 69 donations totaling \$3.7 million benefited the Sacramento AA. These investments included two bond issues and two economic development investments that benefited LMI individuals and projects in the Sacramento AA. In addition, one investment was made for a senior apartment complex that benefited from affordable housing tax credits

### **Community Development Services**

The majority of the community development services were performed within the Sacramento AA. Twelve employees provided 455 hours of community development services. Organizations that were the focus of community service activities performed by bank employees include a housing development corporation, a teen center for low-income children, and a revolving loan fund focused on economic development in a low-income area.

## METROPOLITAN AREAS USING LIMITED-SCOPE EXAMINATION PROCEDURES

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

The Solano AA contains four of the bank's full-service branch offices. As of the June 30, 2011, Summary of Deposits Report, the Solano AA deposits totaled \$187.4 million, or approximately 28.8 percent, of the bank's total deposits. The lending activities originated in the Solano AA accounted for 27 percent by number of total small business loans, 28.7 percent of total home mortgage loans, and 23.3 percent of total small farm loans. FNBD competes with 15 other FDIC-insured banking or savings institutions operating 67 branch offices in the AA. The bank's deposit market share within the AA was 5.7 percent, representing a 7<sup>th</sup> place ranking.

### DESCRIPTION OF OPERATIONS IN THE SOLANO AA

#### Demographic and Economic Profile

The Solano AA consists of 44 of Solano County's 80 CTs. The AA does not include the communities of Vallejo and Benicia in the southwestern section of Solano County. FNBD does not operate a branch office or otherwise attempt to develop business in the Vallejo or Benicia markets. Both markets are located on the north end of the San Francisco Bay and are heavily banked by Bay Area institutions.

Of the 44 CTs in the AA, 12 are moderate-, 22 are middle-, and 9 are upper-income CTs. In addition, one CT has no reported income. Table 24 details the demographic profile of the Solano AA.

| Table 24 – Select Demographic Characteristics of the Solano AA |         |               |                      |                  |                 |              |
|--|---------|---------------|----------------------|------------------|-----------------|--------------|
| Demographic Characteristics                                    | #       | Low<br>% of # | Moderate<br>% of #   | Middle<br>% of # | Upper<br>% of # | NA<br>% of # |
| Census Tracts  | 44      | 0.0           | 27.3                 | 50.0             | 20.5            | 2.2          |
| Population by Census Tract Income Level                        | 247,693 | 0.0           | 23.6                 | 52.9             | 22.1            | 1.4          |
| Owner-Occupied Housing Units by Census Tract Income Level      | 52,150  | 0.0           | 14.8                 | 55.5             | 29.7            | 0.0          |
| Businesses by Census Tract Income Level                        | 3,876   | 0.0           | 22.2                 | 43.4             | 24.3            | 0.1          |
| Farms by Census Tract Income Level                             | 614     | 0.0           | 10.3                 | 59.5             | 30.2            | 0.0          |
| Families by Income Level                                       | 61,674  | 18.4          | 18.2                 | 24.6             | 38.8            | 0.0          |
| Families by Census Tract Income Level                          | 61,674  | 0.0           | 22.8                 | 53.0             | 24.2            | 0.0          |
| Median Family Income   |         | \$60,600      | Median Housing Value |                  | \$187,037       |              |
| HUD Adjusted Median Family Income for 2010                     |         | \$79,200      |                      |                  |                 |              |
| Households Below Poverty Level                                 |         | 5.6 %         |                      |                  |                 |              |
| Source: 2000 U.S. Census Data, and 2010 D&B Data               |         |               |                      |                  |                 |              |

According to Moody's, the AA is in recession as problems in the public sector have failed to ease. Layoffs are fairly broad-based, but the most notable declines are in education, healthcare and other services. After hitting its cyclical low in May 2011, the unemployment rate has begun to rise and is almost three percentage points above the national rate. The City of Vallejo finally emerged from bankruptcy, but the public sector will continue to hinder growth. State and local government payrolls have fallen 15.0 percent since the bankruptcy proceedings began in May 2008. A sustainable recovery in housing may not occur until mid-2012. Foreclosures remain well above the national and state averages. Wages in the private and public sectors are decreasing. The largest employers for the Solano AA are Travis Air Force Base, Kaiser Permanente, North Bay Health Care, and Six Flags Discovery Kingdom.

### **Community Contact**

Examiners conducted one new community contact with a local government economic development organization that primarily serves the redevelopment area of Dixon, California, in Solano County. The contact stated his organization promotes economic development through funding and grant programs that help attract new businesses, retain businesses, and assist businesses looking to expand. In addition, the organization has another division that provides housing for first-time homebuyers, persons of low-income, housing rehabilitation, and multi-family projects. This contact indicated a financial need for loans to rehabilitate older homes in need of energy-efficient repairs and micro-loans to small businesses for start-up and expansion in amounts of \$30,000-\$50,000. The contact also indicated ample opportunity for bank participation by providing grants and donations to various non-profit organizations in the area as well as partnering with incoming biotech companies that are relocating to Dixon.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SOLANO AA**

### **LENDING TEST**

FNBD's lending performance in the Solano AA is not inconsistent with the performance in the CAA, with the exception of geographic distribution for small farm loans. The bank originated only one small farm loan in a moderate-income CT during the period of review. According to D&B, 10.0 percent of Solano AA farms are located in moderate-income CTs. However, the bank's performance is mitigated by the facts that aggregate data did not report any small farm loans originated in moderate-income CTs in 2009 or 2010 within the Solano AA.

### **COMMUNITY DEVELOPMENT TEST**

#### **Community Development Loans**

FNBD's CDL performance in the Solano AA is not inconsistent with the performance in the CAA. During the review period, the institution originated 6 qualified CDLs totaling \$4.5 million in the Solano AA.

### **Community Development Investments**

FNBD's level of qualified CDIs in the Solano AA is adequate and not inconsistent with its performance in the CAA. During the review period, FNBD made 2 investments and 39 grants/donations totaling \$1.2 million in the Solano AA. The dollar volume represented approximately 24.0 percent of the total dollar volume of CDIs and donations made in the CAA.

### **Community Development Services**

FNBD's level of qualified CDSs in the Solano AA is not consistent with its performance in the CAA. During the period of review, only one bank officer participated in one qualified community organization for a total of 30 hours. The CDSs were directed primarily toward community services that benefitted LMI families and/or geographies.

## 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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of 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.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the

area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

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

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

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

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

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

**Rated area:** A rated area is a state or 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.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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