

# **PUBLIC DISCLOSURE**

**January 12, 2015**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Northern Bank of Dixon  
Certificate Number: 3440**

**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 (LMI) neighborhoods, 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 **January 12, 2015**. The agency evaluates performance in assessment areas (AA), as they are delineated by the institution, rather than individual branches. This AA evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 **SATISFACTORY**.

An institution in this group has an adequate record of helping to meet the credit needs of its AA, including LMI neighborhoods, in a manner consistent with its resources and capabilities.

FNBD is an intermediate-small bank (ISB) for the purposes of CRA, and therefore, was reviewed according to the evaluation procedures for such an institution. The bank's overall rating is a function of its performance under the lending test and community development (CD) test within the context of its operations and the needs of its defined AA. The bank's performance under each test is summarized below.

### **Lending Test: Satisfactory**

- The average net loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and AA credit needs
- A substantial majority of loans and other lending-related activities are within the institution's AA
- The geographic distribution of loans reflects reasonable dispersion throughout the AA
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different revenue sizes
- There have been no CRA-related complaints

### **Community Development Test: Outstanding**

The institution's CD performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans (CDLs), qualified CD investments (CDIs), and qualified CD services (CDSs), considering the institution's capacity and availability of such opportunities for CD within the institution's AA.

### **Discrimination or Other Illegal Credit Practices**

There is no evidence of discrimination or other illegal credit practices that are inconsistent in helping to meet the community credit needs.

## **SCOPE OF THE EVALUATION**

The current evaluation was conducted at FNBD's main administration office in Dixon, California. Examiners relied on records provided by the bank; public loan and financial information; demographic data from the 2010 U.S. Census (U.S. Census) and D&B; community contacts; and loan information reported under the Home Mortgage Disclosure Act (HMDA). Terms used in this evaluation are further defined in Appendix A.

### **General Information**

The evaluation follows the Federal Financial Institutions Examination Council ISB Examination Procedures (ISB Procedures). The ISB Procedures are used for ISBs, defined as those that have total assets of at least \$305 million as of December 31 of both of the prior 2 calendar years and less than \$1.221 billion as of December 31st of either of the prior 2 calendar years. FNBD has total assets of \$954.1 million according to the most recent Consolidated Report of Condition and Income (Call Report) dated September 30, 2014. The bank had total assets of \$831.5 million and \$897.9 million for the 2 years ending 2012 and 2013, respectively.

The ISB procedures involve two tests:

- Lending Test
- CD Test

This evaluation covers the period from the prior CRA Performance Evaluation (PE) dated November 21, 2011, to the current evaluation dated January 12, 2015. Throughout this period, examiners evaluate FNBD's CRA performance in the context of the following points:

- The current economic environment
- Demographic characteristics of its AAs
- Information derived from community contacts
- The institution's financial resources and constraints
- The institution's product offerings and business strategy
- Lending, investment, and service opportunities within its AAs

Please refer to the section titled Description of the Institution for a detailed analysis of the performance context factors. Please refer to the section titled Conclusions with Respect to Performance Tests in the Combined Assessment Area (CAA) for a full description of the bank's performance under the lending test and CD test.

### **Loan Products Reviewed**

The bank's primary loan products are commercial loans, residential loans, and farm loans. As of the September 30, 2014 Call Report, FNBD's commercial, residential, and farm loans represent 61.5 percent, 22.6 percent, and 10.4 percent of total loans, respectively. Consumer loans

comprise 0.3 percent of total loans. All other loans comprise the remaining 4.4 percent of total loans. The lending test includes small business loans, home mortgages, and small farm loans.

Examiners assess the small business activity because this activity represents a substantial number and dollar volume of the bank's loan originations. The bank originated 405 small business loans in 2012, 306 small business loans in 2013, and 227 small business loans in the first 9 months of 2014. The total dollar volume was \$107.9 million, \$90.3 million, and \$69.0 million, respectively. Examiners validated the accuracy of the small business data and used the entire universe of 2012, 2013, and the first nine months of the 2014 small business loans. Examiners considered the bank's lending performance in light of the performance context in the CAA. Examiners compared the bank's small business lending performance to the 2012, 2013, and 2014 businesses demographics as reported by D&B, the demographic data from the 2010 U.S. Census, and the 2012 and 2013 aggregate small business data that is reported by all large-bank CRA reporters in the AA. The D&B business survey data regularly indicates that the vast majority of businesses in a given area are small businesses. Moreover, the D&B data is only used as an indicator of business demographics in the AA, and it is not considered an absolute indicator of loan demand. Since the bank is not a large-bank CRA reporter, the 2012 and 2013 aggregate data is used only to understand loan demand and competition in the area, but not used as direct comparison for borrower profile and geographic distribution analysis. The 2014 aggregate data was not available as of the date of the CRA PE.

Examiners assess the mortgage lending activity because it represents a substantial proportion of loan originations by number and dollar volume. The bank originated 401 mortgage loans in 2012, 270 mortgage loans in 2013, and 83 mortgage loans in the first 9 months of 2014. The total dollar volume was \$95.3 million, \$71.6 million, and \$23.3 million, respectively. Examiners validated the accuracy of the mortgage data and used the entire universe of 2012, 2013, and the first nine months of the 2014 mortgage loans. Examiners compared the bank's mortgage lending performance to the aggregate 2012 and 2013 mortgage data reported by all HMDA reporting institutions in the AA. During the analysis, examiners also compared the bank's home mortgage lending to the percentage of owner-occupied housing units under the geographic distribution analysis and the percentage of families under the borrower profile analysis based on the 2010 U.S. Census data.

Examiners assess the small farm activity because it represents a significant volume of loan originations and the bank continues its efforts to originate farm loans. The bank originated 74 small farm loans in 2012, 41 small farm loans in 2013, and 45 small farm loans in the first 9 months of 2014. The total dollar volume was \$14.8 million, \$10.2 million, and \$9.0 million, respectively. Examiners validated the accuracy of the small farm data and used the entire universe of 2012, 2013, and the first nine months of the 2014 small farm loans. Examiners compared the bank's small farm lending performance to the 2012, 2013, and 2014 businesses demographics as reported by D&B and the demographic data from the 2010 U.S. Census. The performance context also considers the 2012 and 2013 aggregate small farm data that is reported by all large-bank CRA reporters in the AA. The D&B data is used as an indicator of business demographics in the AA, and it is not considered an absolute indicator of loan demand. Since the bank is not a large-bank CRA reporter, the 2012 and 2013 aggregate data is used only to understand loan demand and competition in the area, but not used as direct comparison for borrower profile and geographic distribution analysis. The 2014 aggregate data was not available as of the date of the CRA PE.

The lending test does not include analysis of consumer loans or other loan products. The consumer loans and other loan products are not a significant portion of the bank's loan activity. The bank does not collect consumer lending data or other loan data. FNBD management stated that the bank does not consider consumer lending or other loans products to be an integral part of the bank's business strategy.

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.

Throughout the analysis, examiners placed more weight on the bank's small business lending since the small business lending represents the greatest portion of the lending activity. Examiners gave the least weight to small farm loans as these products represent substantially fewer loans compared to the small business and home mortgage loans.

### **Community Development Loans, Investments, and Services Reviewed**

The CD test includes a quantitative and qualitative analysis of the bank's CDLs, CDIs, and CDSs from November 21, 2011, through January 12, 2015. Examiners reviewed data from January 2014 through December 2014. The remaining months of CDL data in the review period were not provided by the bank. Therefore, throughout the analysis, activity data for year 2011 and 2015 is not presented in the CD tables except for the CDSs in 2011. Examiners validated the accuracy of the CD activities prior to their use in the evaluation.

### **Multiple Assessment Areas**

The bank's CRA Rating is derived from its performance in the AAs. As before with the prior evaluation, FNBD continues to designate its AAs as Sacramento County, Yolo County, Placer County, and parts of Solano County.

The bank's four-county AA spans two metropolitan statistical areas (MSA); however, it does not include the entirety of the two MSAs. For the purposes of this evaluation, the analysis is divided between two areas. The first area includes Sacramento County, Yolo County, and Placer County (Sacramento AA). The second area encompasses Solano County, except for the cities of Vallejo and Benicia (Solano AA). Please refer to the Description of the AA section for further descriptions of the AAs.

This evaluation uses full-scope examination procedures to evaluate the bank's performance in the CAA, as well as the Sacramento AA.

Examiners used full-scope procedures and weighed the bank's activities in the Sacramento AA most heavily, given that this area contains a high percentage of FNBD's banking offices, lending, and CD activities. In addition, the Sacramento AA includes the majority of the CAA's population (88.0 percent). The bank originated 73.4 percent of its small business loans, 69.2 percent of home mortgage loans, and 75.2 percent of small farm loans in the Sacramento AA

during the review period. According to the June 30, 2014 FDIC Summary of Deposits Report, the bank received 68.1 percent of its total deposits from the Sacramento AA.

Examiners used limited-scope examination procedures for the Solano AA and weighted the bank's activities the least in this AA. The bank has less lending activity in the Solano AA compared to the Sacramento AA. During the review period, the bank originated 26.6 percent of small business loans, 30.8 percent of home mortgages, and 24.8 percent of small farm loans in the Solano AA. According to the June 30, 2014 FDIC Summary of Deposits Report, the bank receives 31.9 percent of its total deposits from the Solano AA.

Table 1 illustrates the volume of small business, home mortgage, and small farm loans originated within each AA:

<b>Table 1 – Loans by AA</b>								
<b>Assessment Area</b>	<b>2012</b>		<b>2013</b>		<b>YTD* 2014</b>		<b>Total</b>	
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
<b>Small Business Loans</b>								
Sacramento AA	276	74,491	201	55,151	134	40,055	611	169,697
Solano AA	80	19,762	83	25,167	58	16,550	221	61,479
<b>Subtotal</b>	<b>356</b>	<b>94,253</b>	<b>284</b>	<b>80,318</b>	<b>192</b>	<b>56,605</b>	<b>832</b>	<b>231,176</b>
<b>Home Mortgage Loans</b>								
Sacramento AA	247	59,925	157	42,622	54	15,360	458	117,907
Solano AA	107	23,534	74	17,766	23	6,006	204	47,306
<b>Subtotal</b>	<b>354</b>	<b>83,459</b>	<b>231</b>	<b>60,388</b>	<b>77</b>	<b>21,366</b>	<b>662</b>	<b>165,213</b>
<b>Small Farm Loans</b>								
Sacramento AA	50	10,402	19	4,511	19	4,157	88	19,070
Solano AA	9	1,328	10	1,898	10	2,423	29	5,649
<b>Subtotal</b>	<b>59</b>	<b>11,730</b>	<b>29</b>	<b>6,409</b>	<b>29</b>	<b>6,580</b>	<b>117</b>	<b>24,719</b>
<b>Grand Total</b>	<b>769</b>	<b>189,442</b>	<b>544</b>	<b>147,115</b>	<b>298</b>	<b>84,551</b>	<b>1,611</b>	<b>421,108</b>
<i>Source: FNBD Bank Records * Year-To-Date (YTD)</i>								

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



## DESCRIPTION OF THE 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 PE on November 21, 2011, the bank was rated “Outstanding” based on ISB Procedures. FNBD conducts its operations primarily within Solano, Sacramento, Yolo, and Placer Counties.

The bank currently operates a network of nine full-service branches. The bank maintains eight automated teller machines (ATMs), one at each branch office, excluding the Roseville Office which is in an upper-income census tract (CT). 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 Davis and Roseville, commercial loan offices in Davis, Sacramento and Walnut Creek, and an Asset Management and Trust Department in Sacramento. The Investment and Mortgage Services Department is located in Folsom. 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 opened a Contra Costa Loan Production Office in Walnut Creek in April of 2013. The following table illustrates the distribution of FNBD branches among the CTs:

<b>Table 2 – Distribution of Branches by AA &amp; Tract Income Category</b>										
<b>AA</b>	<b>Total Branch Distribution</b>		<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>		<b>Middle-Income CTs</b>		<b>Upper-Income CT</b>	
	<b>#</b>	<b>% of #</b>	<b>#</b>	<b>% of Row Total</b>	<b>#</b>	<b>% of Row Total</b>	<b>#</b>	<b>% of Row Total</b>	<b>#</b>	<b>% of Row Total</b>
Sacramento AA	6	66.7	1	16.7	-	0.0	4	66.7	1	16.7
Solano AA	3	33.3	-	0.0	-	0.0	2	66.7	1	33.3
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>1</b>	<b>11.1</b>	<b>-</b>	<b>0.0</b>	<b>6</b>	<b>66.7</b>	<b>2</b>	<b>22.2</b>
<i>Source: FNBD Bank Records and 2010 U.S. Census Data.            Figures may not total to 100.0 due to rounding.</i>										

Since the last evaluation, the bank closed two full-service branch offices: one in Sacramento located in a middle-income CT, and one in Vacaville located in an upper-income CT. The bank closed the Vacaville branch following a decline in traffic linked to the closure of a supermarket anchor tenant. The downtown Sacramento branch, which opened in October 2002, was closed after determining competitive pressure would make it prohibitively costly to continue growing deposits in the area. The bank consolidated its downtown Sacramento office into the West Sacramento office, but the bank intends to re-establish a downtown Sacramento office at a different location in the future. The closing of the Sacramento and Vacaville branch offices and consolidation of the downtown Sacramento office did not adversely affect the overall accessibility of its delivery systems.

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.

According to the September 30, 2014 Call Report, FNBD had total assets of \$954.1 million, total deposits of \$859.6 million, total loans of \$534.5 million, and total equity capital of \$86.5 million. Total loans represent 56.0 percent of the bank's total assets.

Table 3 illustrates the bank's loan distribution as of September 30, 2014:

<b>Table 3 - Loan Portfolio Distribution as of September 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Volume (000)</b>	<b>Percentage of Total Loans</b>
Construction and Land Development	12,183	2.3
Secured by Farmland	32,894	6.2
Revolving Open-end 1 to 4 Family Residential	45,712	8.6
Closed-end 1 to 4 Family Residential First Lien	50,596	9.5
Closed-end 1 to 4 Family Residential Junior Lien	3,478	0.7
Multi-family Residential	21,241	4.0
Commercial Real Estate	225,276	42.2
<b>Total Real Estate Secured</b>	<b>391,380</b>	<b>73.2</b>
Loans to Finance Agricultural Production	22,442	4.2
Commercial and Industrial Loans	103,289	19.3
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	238	0.0
Closed-end Consumer Loans	1,452	0.3
Obligations of States and Political Subdivisions	0	0.0
Other Loans	123	0.0
Lease financing receivables (net of unearned income)	15,532	2.9
Less: Any Unearned Income on Loans	0	0.0
<b>Total Loans</b>	<b>534,456</b>	<b>100.0</b>
<i>Source: Call Report dated September 30, 2014. Figures may not total to 100.0 percent due to rounding.</i>		

As demonstrated in Table 3, FNBD is primarily a commercial lender, with commercial loans comprising 61.5 percent of the bank's loan portfolio (42.2 percent commercial real estate and 19.3 percent commercial and industrial). The next largest loan category is 1 to 4 family residential lending at 18.8 percent, followed by farm lending at 10.4 percent, multi-family residential at 4.0 percent, construction and land development at 2.3 percent, and consumer lending at 0.3 percent.

There are no legal or financial impediments that prevent FNBD from helping to meet AA credit needs.

## DESCRIPTION OF THE ASSESSMENT AREA

FNBD has two AAs: the Sacramento AA and the Solano AA. The Sacramento AA includes all of Sacramento, Yolo, and Placer Counties which are located in the Sacramento-Arden Arcade-Roseville MSA (#40900). The Solano AA includes Solano County, except for the Cities of Vallejo and Benicia. The Solano AA consists of 57 CTs located within the Vallejo-Fairfield MSA (#46700). These two AAs constitute the 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 499 CTs: 37 low-, 123 moderate-, 191 middle-, and 146-upper income CTs. In addition, the CAA includes two military bases located in CTs that have not been designated income classifications. The LMI CTs are primarily in the Sacramento AA, around the downtown area of Sacramento. According to the 2010 U.S. Census data, the population of the CAA is 2.2 million.

Table 4 illustrates the distribution of CTs by income level and AA:

<b>Table 4 – Distribution of CTs within the CAA</b>				
<b>CT Income Level</b>	<b>Sacramento AA</b>	<b>Solano AA</b>	<b>Totals</b>	
			<b>#</b>	<b>%</b>
<b>Low-Income</b>	37	0	37	7.4
<b>Moderate-Income</b>	108	15	123	24.6
<b>Middle-Income</b>	164	27	191	38.3
<b>Upper-Income</b>	132	14	146	29.3
<b>N/A</b>	1	1	2	0.4
<b>Total</b>	<b>442</b>	<b>57</b>	<b>499</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data</i>				

Table 5 illustrates the demographics of the CAA:

Table 5 – Select Demographic Characteristics of the CAA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	499	7.4	24.6	38.3	29.3	0.4
Population by CT Income Level	2,236,559	6.9	24.6	38.2	29.7	0.7
Owner-Occupied Housing Units by CT Income Level	492,675	3.7	18.9	41.4	36.1	0.0
Businesses by CT Income Level	186,159	6.9	21.8	39.5	31.8	0.0
Families by Income Level	532,675	22.2	17.3	20.3	40.2	0.0
Families by CT Income Level	532,675	5.8	23.2	39.2	31.8	0.0
Median Family Income (MFI)		\$75,650	Median Housing Value		\$355,341	
HUD* Adjusted Median Family Income for 2010		\$71,802				
Households Below Poverty Level		10.9%				
Source: 2010 U.S. Census Data, 2014 D&B Data, *Housing and Urban Development (HUD). Figures may not total to 100.0 percent due to rounding.						

Table 6 illustrates the distribution of FNBD's full-service branch offices and ATMs within the AAs:

<b>Table 6 – AA Composition, Branches, and ATMs</b>					
<b>Assessment Area</b>	<b>MSA or MD</b>	<b>MSA #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Sacramento AA	Sacramento-Arden Arcade-Roseville, CA	40900	Sacramento, Yolo, Placer	6	5
Solano AA	Vallejo-Fairfield, CA	46700	Solano	3	3
<b>Total Branches/ATMs</b>				<b>9</b>	<b>8</b>
<i>Source: FNBD Bank Records</i>					

Economic and demographic information that is specific to the Sacramento AA and Solano AA is presented under the descriptions of each individual AA. The following section describes the economic profile of the CAA.

### **Economic Profile**

The economy is showing signs of improvement following the recession. According to the Bureau of Labor Statistics, unemployment in California reflected a 7.4 percent rate in the 3rd quarter of 2014. The unemployment rate in the State of California reflects a downward trend since the previous evaluation when the unemployment rate was at 10.9 percent. The State of California is rebounding from elevated unemployment, and the CAA reflects similar improvement. Moody's Analytics states that the economic recovery has been average to slightly

above average in the Sacramento AA, while the Solano-Fairfield AA recovery has weakened recently after strong initial recovery.

The Sacramento AA, which already had a strong healthcare industry, has benefitted from new hiring and increased investment via the Affordable Care Act and increasing demand of healthcare. Manufacturing, distribution and wholesale services provide significant employment throughout the AA and are most focused in Sacramento and Yolo Counties. Reasonably strong income growth and limited new construction have combined to drive up single-family house prices by 42 percent since the end of 2011. In addition, University of California Davis is a leading center of agribusiness and technology research and development that substantially impacts the economies of the Sacramento AA and Solano AA. Moody's Analytics reports that significant labor market slack remains in the CAA, as the labor force participation rate hovers near an all-time low.

Overall, the CAA economy has improved since the prior evaluation.

### Sacramento County

According to Moody's Analytics, the Sacramento County economy is advancing in step with the rest of California. The healthcare industry has continued to be a source of stability and growth. The major healthcare employers in the area include Kaiser Permanente and Sutter Health. The area has seen some growth in manufacturing, agriculture, and technology. State and local government budgets have stabilized in recent years, leading to more consistent wages and employment.

The Sacramento County unemployment rate has decreased to 7.3 percent, which is similar to California at 7.4 percent, but behind the rest of the nation at 6.2 percent. According to the 2013 Bureau of Economic Analysis and Moody's Analytics reports, per capita personal income in Sacramento County (\$43,438) is 10.3 percent lower than that of the state (\$48,434) and 3.0 percent lower than the nation (\$44,765). According to HUD, the median family income in Sacramento County (\$68,000) is nearly identical to the rest of the state (\$68,100) and 6.0 percent higher than the nation (\$63,900). Population growth has remained relatively steady at about 1.0 percent annually. Total housing permits in 2014 have dropped by an average of 17.7 percent from 2013.

### Yolo County

According to Moody's Analytics, the Yolo County economy is advancing faster than the rest of California. University of California Davis and the UC Davis Health system are the largest employers in the county. Yolo County is relatively rural with a strong base of agriculture production. Total housing permits slowed dramatically in 2014, after increasing in 2012 and 2013.

The Yolo County unemployment rate has decreased to 6.8 percent compared to California at 7.4 percent, but behind the rest of the nation at 6.2 percent. This is a significant improvement, as Yolo County's unemployment rate was 12.3 percent in 2011, compared to California at 11.8 percent and the rest of the nation at 9.0 percent. According to the 2013 Bureau of Economic Analysis and Moody's Analytics reports, per capita personal income in Yolo County (\$43,452) is 10.2 percent lower than that of the state (\$48,434) and 2.9 percent lower than the nation

(\$44,765). According to HUD, the median family income in Yolo County (\$73,900) is 7.5 percent higher than the rest of the state (\$68,100) and 6.0 percent higher than the nation (\$63,900). There have not been any new multi-family housing permits in 2014.

### Placer County

According to Moody's Analytics, the Placer County economy is advancing faster than the rest of California and has the lowest unemployment rate of the four counties within the bank's CAA. According to the County of Placer Office of Economic Development, Placer County has developed a number of high technology industry clusters since 2000. These include biotechnology, hardware, medical device manufacturers, networking and system integration, and software. Kaiser Permanente, Hewlett-Packard, Union Pacific Railroad, and Sutter Health are the largest employers in the region.

The Placer County unemployment rate has decreased to 6.1 percent compared to California at 7.4 percent. Moody's Analytics reports that per capita personal income in Placer County (\$54,924) is 11.8 percent higher than that of the state (\$48,434) and 18.5 percent higher than the nation (\$44,765). According to HUD, the median family income in Placer County (\$69,000) is 1.3 percent higher than the rest of the state (\$68,100) and 7.1 percent higher than the nation (\$63,900). New housing permits have increased an average of 24.7 percent over the past year.

### Solano County

According to Moody's Analytics, Solano County is still recovering, but no longer growing at the same pace as the rest of California. Solano County is buoyed by the presence of Travis Air Force Base, which provides stable wages and employment; however, the Solano AA continues to report an above-average concentration of households with underwater mortgages. Population growth has outpaced the state average in recent years thanks to strong in-migration driven in part by the Bay Area's rapidly rising housing costs. Genentech, Kaiser Permanente, NorthBay Healthcare Group, Anheuser-Busch, and Sutter Solano Medical Center are the largest employers in the region.

Solano County unemployment rate has decreased to 6.8 percent compared to California at 7.4 percent, but behind the rest of the nation at 6.2 percent. Analysis and Moody's Analytics reports, per capita personal income in Solano County (\$42,509) is 5.1 percent lower than that of the state (\$48,434) and 5.0 percent lower than the nation (\$44,765). According to HUD, the median family income in Solano County (\$76,700) is 11.2 percent higher than the rest of the state (\$68,100) and 16.7 percent higher than the nation (\$63,900). New housing permits increased significantly in 2013, but declined in the second and third quarter of 2014.

Solano County suffered some damage in the 2014 earthquake that was centered in neighboring Napa County.

### **Comparable Financial Institutions**

No comparable financial institutions operate in the area given FNBD's asset size, branch network, service region, and loan portfolio product mix.

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

### California State Enterprise Zone

The California State Enterprise Zone (CSEZ) program targets economically distressed areas throughout California by providing tax, utility, capital expenditure, and credit incentives. It also provides employee recruitment, training assistance, business development, permit assistance, access to 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. During the review period, the bank had two CSEZ areas: one in Yolo County and one in Sacramento County. The program for all areas in the state, however, expired on December 31, 2013.

### Designated Disaster Area

On September 11, 2014, the U.S. Department of Homeland Security's Federal Emergency Management Agency announced that federal disaster aid had been made available to the State of California to supplement state and local recovery efforts in the area affected by the South Napa Quake. In addition to Napa County, Solano County was officially designated for public assistance.

### Distressed or Underserved Nonmetropolitan Middle-Income Geographies

The AA does not include any Distressed or Underserved Nonmetropolitan Middle-Income CTs.

## **Competition and Market Share Profile**

Competition within the AA is strong. As of June 30, 2014, FNBD competed for loans and deposits against 43 national, regional, and other community banks that operate 433 branches throughout the AA. According to the FDIC's Summary of Deposits Report, as of June 30, 2014, FNBD's market share of deposits within the AA was 1.93 percent.

In Sacramento County, the bank has significantly strong competition from other bank and non-bank lenders. The high competition within Sacramento County influences the overall performance context because Sacramento County includes the majority of the CAA's LMI population (68.2 percent of the CAA LMI population) and LMI CTs (80.6 percent of CAA LMI CTs). The level of competition is explored further in the Conclusions with Respect to Performance Tests section.

## **Community Contact**

Examiners performed three community contacts with organizations based within the bank's CAA. The purpose of the contact is to gather performance context about the community needs, area demographics, and the local perspective about the performance of institutions in the area.

The first community contact was with a local government economic development organization that serves the entire CAA. The contact stated that their organization provides financing for owner-occupied real estate and creates an impact on the community by lending to those who are not able to obtain a loan from a bank. The contact stated that banks can do a better job getting

involved in the community by developing new credit programs that will allow entrepreneurs to launch new businesses. The contact noted that various areas in the Sacramento area are being revitalized such as downtown Sacramento. The contact noted that many areas have started improving; however, the economic slowdown continues in areas such as Del Paso and other LMI neighborhoods.

The second community contact was with a non-profit organization that serves the entire CAA. The contact stated that their organization finances affordable housing development and organizes classes that promote homeownership. The contact indicated that there is a need to support homeownership campaigns and education, particularly in hard hit LMI communities. The contact also indicated that there is significant opportunity to provide loans, investments, grants and donations to various non-profit organizations in the area to increase homeownership and access to affordable housing.

The final community contact was with a non-profit organization that serves the entire CAA. The contact stated that their organization provides financing and technical assistance to farmers in California's Central Valley. This contact indicated that there is a need for financing to acquire land and develop operations for new and aspiring farmers in amounts under \$100,000. The contact also indicated that there is ample opportunity for banks to provide loans to farmers in the region.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

FNBD is rated “Satisfactory” under the lending test.

The lending test evaluates FNBD’s record of helping to meet the credit needs of its AAs. The institution’s lending performance is evaluated using the following five components:

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

Weighting for each component of the lending test is not equal. The borrower profile receives the heaviest weighting in the analysis due to the nature of the institution’s AA. Borrower profile refers to the record of lending to borrowers of different income levels and businesses of different revenue sizes.

Within the AA, the LMI CTs are primarily located in urban regions. Within these urban regions, the bank has substantial competition from other banks and non-bank lenders. The elevated competition results in fewer opportunities for FNBD to make loans within the LMI CTs. Outside of the urban locations, the CTs are primarily comprised of middle- and upper-income areas. The borrower profile reflects the bank’s lending directly to LMI borrowers, whether they are located in LMI CTs or higher income areas. Therefore, the borrower profile component more accurately represents the bank’s efforts towards meeting the credit needs of the entire community.

### Loan-to-Deposit Ratio

The bank’s LTD ratio is reasonable, given the institution’s size, business model, financial capacity, and competition.

The LTD ratio is a performance measure which gauges the extent to which an institution invests depositors’ funds back into the community through its lending activity. A high LTD ratio is a proxy for active lending.

The bank’s average LTD ratio for the last 12 calendar quarters (beginning with December 31, 2011 through September 30, 2014) is 61.8 percent, as illustrated in Table 7.

Table 7 – LTD Ratio Comparison		
Institution	Ratio Since 12/31/2011	Ratio Over Prior 4 Quarters
FNBD	61.8	61.6
Source: December 31, 2011 through September 30, 2014 Call Reports		

During the review period, the bank's quarterly LTD ratios have varied from a high of 63.7 percent on June 30, 2012, to a low of 57.9 percent on March 30, 2013. FNBD's LTD ratio has declined since the prior evaluation principally due to growth in the deposit base. In addition to the rise in deposits, FNBD sold \$186.8 million in mortgage loans during the review period. The rising deposit base, paired with the loan sales, contributed to the lower LTD ratio. FNBD's declining LTD Ratio is consistent with other banks. Overall, the LTD ratio remains reasonable, given the bank's business model, AA credit needs, and level of competition.

### **Assessment Area Concentration**

The bank originates a substantial majority of its loans within its CAA. The AA concentration analyzes the extent of lending inside and outside of the CAA.

Table 8 shows that a substantial majority of the bank's loans, by number, by dollar volume, and by product, are inside the CAA for 2012, 2013, and YTD 2014.

Table 8 - Distribution of Loans Inside and Outside of the CAA										
Loan Type	Number of Loans					Dollar Amount of Loans (000s)				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Small Business										
2012	356	87.9	49	12.1	405	94,253	87.4	13,601	12.6	107,854
2013	284	92.8	22	7.2	306	80,318	89.0	9,952	11.0	90,270
YTD 2014	192	84.6	35	15.4	227	56,605	82.0	12,404	18.0	69,009
Subtotal	832	88.7	106	11.3	938	231,176	86.5	35,957	13.5	267,133
HMDA										
2012	354	88.3	47	11.7	401	83,459	87.6	11,803	12.4	95,262
2013	231	85.6	39	14.4	270	60,388	84.4	11,166	15.6	71,554
YTD 2014	77	92.8	6	7.2	83	21,366	91.7	1,933	8.3	23,299
Subtotal	662	87.8	92	12.2	754	165,213	86.9	24,902	13.1	190,115
Small Farm										
2012	59	79.7	15	20.3	74	11,730	79.3	3,053	20.7	14,783
2013	29	70.7	12	29.3	41	6,409	63.1	3,750	36.9	10,159
YTD 2014	29	78.4	8	21.6	37	6,580	72.8	2,460	27.2	9,040
Subtotal	117	77.0	35	23.0	152	24,719	72.7	9,263	27.3	33,982
Total	1,611	87.4	233	12.6	1,844	421,108	85.7	70,122	14.3	491,230
Source: 2012, 2013, and YTD 2014 HMDA Loan Application Register (LAR); FNBD Bank Records										

As illustrated above, 87.4 percent by number and 85.7 percent by dollar volume of total loans were made inside the CAA. The 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 in small business lending, where 88.7 percent, by number, and 86.5 percent, by dollar volume, of total loans were originated inside the CAA. The bank's excellent AA concentration is consistent with the performance at the prior CRA PE.

### **Geographic Distribution**

The bank's geographic distribution of loans reflects reasonable dispersion throughout the CAA, including LMI CTs.

FNBD's geographic distribution for small business loans is excellent, HMDA is reasonable, and small farm is poor. While the small farm geographic distribution is poor, the small farm lending carries the least weight in the analysis. The bank does not have any conspicuous gaps in the geographic distribution of lending within the CAA. The following section discusses the geographic distribution by product type.

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

The geographic distribution of small business loans reflects excellent 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 the percentage of total businesses as reported by D&B for 2012, 2013, and 2014.

<b>Table 9 – Small Business Loan Geographic Distribution in the CAA</b>									
<b>CT Income Level</b>	<b>2012 D&amp;B</b>	<b>2013 D&amp;B</b>	<b>2014 D&amp;B</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.0	7.0	6.9	31	8.7	31	10.9	18	9.4
Moderate	21.9	21.8	21.8	84	23.6	61	21.5	38	19.8
Middle	39.3	39.5	39.5	155	43.5	134	47.2	91	47.4
Upper	31.8	31.7	31.8	86	24.2	58	20.4	45	23.4
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>356</b>	<b>100.0</b>	<b>284</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>
<i>Source: 2012, 2013, and 2014 D&amp;B Data; FNBD Bank Records</i>									

The proportions of the bank's small business lending that are made within low-income CTs exceed D&B data. The proportions of the bank's small business lending that are made within moderate-income CTs exceed D&B data for 2012 and about the same for 2013 and 2014. The excellent level of lending to small businesses that are in LMI geographies has remained relatively consistent throughout the review period.

To establish further performance context, the evaluation considered the aggregate lending data that was generated by large-bank CRA reporters. Since FNBD is not a large-bank CRA reporter, the evaluation did not directly compare the bank's performance against the aggregate data. Instead, the aggregate lending data was used to indicate the opportunity for safe and sound

lending within the CAA. The aggregate data was available for 2012 and 2013. The aggregate data for 2014 was not available during the examination.

In both 2012 and 2013, FNBD's small business geographic distribution exceeds the aggregate lending data. Aggregate lending data shows that the large banks originated 6.5 percent and 6.9 percent to small businesses located in low-income CTs between 2012 and 2013, respectively. In addition, the large banks originated 18.9 percent and 19.4 percent to small businesses located in moderate-income CTs between 2012 and 2013, respectively. In both years, FNBD's small business lending to LMI CTs exceeds the large bank lenders.

The bank's excellent dispersion of small business loans throughout the CAA is consistent with the performance at the prior CRA PE. However, the bank's small business lending shows a declining trend by number consistently year after year for the review period.

### ***HMDA Loans***

The geographic distribution of home mortgages reflects reasonable dispersion throughout the CAA. Table 10 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes the percentage of owner-occupied housing units as reported by the 2010 U.S. Census. The table also reports the aggregate HMDA data which is compiled from all HMDA reportable institutions.

<b>Table 10 – HMDA Loan Geographic Distribution in the CAA</b>									
<b>CT Income Level</b>	<b>Owner- Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2013 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 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	2.7	2	0.6	1	0.4	0	0.0
Moderate	18.9	13.1	14.7	30	8.5	24	10.4	6	7.8
Middle	41.3	39.5	40.0	175	49.4	112	48.5	46	59.7
Upper	36.1	45.1	42.6	147	41.5	94	40.7	25	32.5
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>354</b>	<b>100.0</b>	<b>231</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data; 2012, 2013, and YTD 2014 HMDA LAR; 2012 and 2013 Aggregate Lending Data</i>									

The geographic distribution of home mortgages is reasonable, given the level of competition within the CAA. The bank's proportion of LMI CT lending is below the aggregate data; however, the bank has limited opportunity to lend within the LMI areas.

The bank's home mortgage also shows a declining trend by number consistently year after year for the review period. The bank faces significant competition from both bank and non-bank lenders in Sacramento County. This is meaningful because Sacramento County includes the substantial majority of LMI CTs within the CAA. Sacramento County has 35 of the CAA's 37

low-income CTs (94.6 percent) and 94 of the CAA's 123 moderate-income CTs (76.4 percent). Within Sacramento County, we can see the elevated competition when we compare FNBD's volume of HMDA applications against the area's population figures.

During the review period, only 13.9 percent of FNBD's CAA mortgage applications came from Sacramento County. Compare this to Yolo County and Solano County which saw 48.1 percent and 32.0 percent of the CAA's total home mortgage applications. FNBD's volume of applications in Sacramento County is very low when we consider that Sacramento County includes 63.4 percent of the CAA's total population compared to 9.0 percent for Yolo County and 12.0 percent for Solano County. The figures show that the elevated home mortgage competition within Sacramento County has resulted in fewer opportunities to make loans within the LMI CTs.

The U.S. Census data reports that only 3.7 percent of the CAA's owner-occupied housing is located within low-income CTs. The proportion of owner-occupied housing units in moderate-income CTs is 18.9 percent.

Given the limited owner-occupied housing units within LMI CTs and the high level of competition to originate home mortgages in these areas, FNBD's geographic distribution of home mortgage loans represents a reasonable dispersion throughout the CAA. The CAA home mortgage geographic distribution percentage for low-income CT is consistent with the performance at the prior CRA PE for year 2011. However, the moderate-income geographic distribution for the last CRA PE for year 2011 shows 15.3 percent which is almost twice as high as the current review period moderate-income geographic distribution at 7.8 percent for YTD 2014.

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

FNBD's geographic distribution of small farm lending reflects poor dispersion throughout the CAA. As shown in Table 11, the bank originated only one small farm loan to the LMI CTs throughout the period of review.

**Table 11 – Small Farm Loan Geographic Distribution in the CAA**

CT Income Level	2012 D&B	2013 D&B	2014 D&B	2012 Bank		2013 Bank		YTD 2014 Bank	
	%	%	%	#	%	#	%	#	%
Low	3.9	3.9	3.7	0	0.0	0	0.0	0	0.0
Moderate	17.9	17.1	16.7	1	1.7	0	0.0	0	0.0
Middle	45.9	46.1	46.6	46	78.0	24	82.8	23	79.3
Upper	32.3	32.9	33.0	12	20.3	5	17.2	6	20.7
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>59</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>

*Source: 2012, 2013, and 2014 D&B Data; FNBD Bank Records.*

The bank's performance has declined since the prior CRA PE. At the prior CRA PE, the bank originated 34 small farm loans to moderate-income CTs. This number has decreased to one small farm loan at the current evaluation.

To establish further performance context, examiners considered the aggregate lending data that was generated by large bank CRA reporters. Since FNBD is not a large-bank CRA reporter, the aggregate data was not used as direct comparison to the bank's performance. Instead, the aggregate data was used to understand lending opportunities in the CAA. The aggregate data was available for 2012 and 2013. The aggregate data for 2014 was not available during the examination.

The aggregate data shows that large banks have originated loans to small farms within the CAA. In 2012 and 2013, the aggregate data reports that large banks made 0.8 percent and 1.0 percent of small farm loans to low-income CTs. In 2012 and 2013, the aggregate data reports that large banks made 4.4 percent and 6.9 percent of small farm loans to moderate-income CTs. The aggregate data demonstrates that there is some loan demand within the LMI CTs; however, FNBD originated very few small farm loans to meet this demand.

The bank's poor dispersion of small farm loans throughout the CAA reflects a decrease in the bank's performance since the prior CRA PE.

### **Borrower Profile**

The bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes, given the demographics of the CAA and the level of competition for such loans in the CAA.

On a product-specific level, the borrower distribution for small business loans and mortgage loans is reasonable, while the small farm borrower profile is excellent. The following section discusses the borrower profile by product type.

#### ***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 12 illustrates the distribution of small business loans by GAR. For comparison purposes, the table includes the percentage of total businesses as reported by D&B in the CAA for 2012, 2013, and 2014.

<b>Table 12 – Small Business Loan Borrower Profile in the CAA</b>									
<b>GAR</b>	<b>2012 D&amp;B</b>	<b>2013 D&amp;B</b>	<b>2014 D&amp;B</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	73.8	74.0	73.7	157	44.1	118	41.5	59	30.7
> \$1 Million	3.3	3.5	3.9	197	55.3	164	57.7	131	68.2
Not Applicable	22.9	22.5	22.4	2	0.6	2	0.7	2	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>	<b>284</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>
<i>Source: 2012, 2013, and 2014 D&amp;B Data; FNBD Bank Records.  Figures may not total to 100.0 percent due to rounding.</i>									

In 2012 and 2013, the bank made 44.1 percent and 41.5 percent of its small business loans to small businesses with GARs of \$1 million or less. In YTD 2014, this figure drops to 30.7 percent. The YTD 2014 decline is caused by the timing of the data. The YTD 2014 data does not include 10 small business loan renewals that occur annually during the 4th quarter. The 10 small business renewals are for businesses with GARs less than \$1 million. In addition to the renewals, the bank presented examiners with data showing 88 recently originated small business loans that are not captured in the YTD 2014 data. The new small business loans included 36 loans to businesses with GARs of \$1 million or less (40.9 percent). When considering these loans, the percentage for YTD 2014 changed from 30.7 percent to 36.2 percent which still shows the declining trend.

The 2014 D&B data indicates that 73.7 percent of businesses within the CAA have GARs of \$1 million or less. Although FNBD's percentages are below that of D&B, the bank's performance is considered reasonable. The evaluation takes into account that D&B data includes all small businesses within the bank's CAA that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. The business survey data regularly indicates that the vast majority of businesses in a given area are small businesses. Moreover, the D&B data is only used as an indicator of business demographics in the CAA, and it is not considered an absolute indicator of loan demand.

To establish further performance context, examiners considered the aggregate lending data that is generated by large-bank CRA reporters. In 2012, the aggregate data reported that the large banks made 43.8 percent of their small business loans to businesses with GARs of \$1 million or less in the CAA. In 2013, the percentage increased to 50.2. The aggregate data for 2014 was not available during the examination. FNBD's performance exceeds the aggregate data in 2012, but falls below the aggregate data in 2013.

While the bank's performance declined below aggregate data, the bank's performance is not directly comparable to the aggregate data. The aggregate lending data includes large-bank CRA reporters and credit card loans made to small businesses. FNBD is not a large-bank CRA reporter, and the bank does not originate credit card loans.

Compared to the bank's performance at the last CRA Evaluation (44.7 percent in 2011), the bank's number of loans to businesses with GARs of \$1 million or less reflects a decline. While

the CAA's small business borrower profile shows a decline, the performance remains reasonable, given the demographics of the AA and the level of competition for such loans in the AA.

### **HMDA Loans**

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels.

Table 13 illustrates the distribution of loans by borrower income level. For comparison purposes, the analysis includes 2012 and 2013 aggregate lending data and the percentage of families by income level as reported in the 2010 U.S. Census.

<b>Table 13 - HMDA Loan Borrower Profile in the CAA</b>									
<b>Borrower Income Level</b>	<b>Families</b>	<b>2012 Aggregate Data</b>	<b>2013 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	22.2	8.2	5.7	17	4.8	8	3.5	2	2.6
Moderate	17.3	16.0	15.0	50	14.1	29	12.6	10	13.0
Middle	20.3	21.8	22.3	97	27.4	56	24.2	15	19.5
Upper	40.2	40.3	44.3	189	53.4	130	56.3	48	62.3
Not Reported	0.0	13.7	12.7	1	0.3	8	3.5	2	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>354</b>	<b>100.0</b>	<b>231</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data; 2012, 2013, and YTD 2014 HMDA LAR; 2012 and 2013 Aggregate Lending Data</i>									

The U.S. Census data indicates that 22.2 percent and 17.3 percent of families within the AA are low-income and moderate-income, respectively. Although FNBD's percentages are below the proportion of LMI individuals reported in the 2010 U.S. Census data, the performance is reasonable. The evaluation takes into account that the 2010 U.S. Census data contains all individuals, including those who have limited or no credit needs. The 2010 U.S. Census data reports that 10.9 percent of the population is below the poverty level. Many of the LMI families rent as opposed to own their own homes. The U.S. Census data is only used as an indicator of demographics in the CAA, and it is not considered an absolute indicator of loan demand. The 2010 U.S. Census data reported that owner-occupied units represent 56.7 percent, renter-occupied units represent 34.7 percent, and vacant housing units represent 8.6 percent of the total housing units available in CAA. FNBD's home mortgage borrower profile is reasonable, given the housing demographics in the Sacramento AA.

In 2012 and 2013, the bank's lending to LMI borrowers is below the aggregate data; however, the performance remains reasonable, given the substantial home mortgage competition within the AA. The bank faces significant competition from both bank and non-bank lenders in Sacramento County. This is meaningful because Sacramento County includes the majority of the LMI population within the CAA (68.2 percent). During the review period, only 13.9 percent of



FNBD's CAA mortgage applications came from Sacramento County. Compare this to Yolo County and Solano County which saw 48.1 percent and 32.0 percent of the CAA's total home mortgage applications. Together, Yolo County and Solano County include only 19.2 percent of the LMI population within the CAA. Given the elevated competition amongst home mortgage lenders within the CAA, FNBD's home mortgage borrower profile remains reasonable.

Compared to the bank's performance at the last CRA PE (9.4 percent low-income and 13.7 percent moderate-income in 2011), the bank's lending to LMI individuals reflects a decline. The declining trend is also shared by the other HMDA reporting institutions, as reflected in the declining trend in the aggregate lending data. While the CAA's home mortgage borrower profile shows a decline, the performance remains reasonable, given the demographics of the AA and the level of competition for such loans in the AA.

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

The distribution of small farm loans reflects excellent penetration among small farms with GARs of \$1 million or less. Table 14 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 2012, 2013, and 2014.

<b>Table 14 – Small Farm Loan Borrower Profile in the CAA</b>									
<b>GAR</b>	<b>2012 D&amp;B</b>	<b>2013 D&amp;B</b>	<b>2014 D&amp;B</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	95.3	95.1	94.3	40	67.8	20	69.0	22	75.9
> \$1 Million	3.2	3.3	3.8	18	30.5	9	31.0	7	24.1
Not Applicable	1.5	1.6	1.9	1	1.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>
<i>Source: 2012, 2013, and 2014 D&amp;B Data; FNBD Bank Records.</i>									

The 2014 D&B data indicates that 94.3 percent of farms within the CAA have GARs of \$1 million or less. Although FNBD's percentages are below that of D&B, the bank's performance is excellent. The evaluation takes into account that D&B data includes all farms within the bank's CAA that voluntarily respond to a survey request, including a large number of very small farms that have limited or no credit needs. The farm survey data regularly indicates that the vast majority of farms in a given area are small farms. Moreover, the D&B data is only used as an indicator of farm business demographics in the CAA, and it is not considered an absolute indicator of loan demand. FNBD's small farm borrower profile is excellent, given the proportion of small farms in the CAA.

To establish further performance context, we considered the aggregate lending data that was generated by large-bank CRA reporters. Since FNBD is not a large-bank CRA reporter, the data was not used to directly compare the bank's performance against the aggregate data. Instead, the aggregate lending data was used to understand lending opportunities within the CAA. The aggregate data was available for 2012 and 2013. The aggregate data for 2014 was not available during the examination.

FNBD substantially exceeds the aggregate data in both 2012 and 2013. The aggregate lending data reported that 59.1 percent of the loans were made to small farms with GARs of \$1 million or less in 2012 and 54.1 percent in 2013. The aggregate lending data showed a declining trend, while FNBD reported an increasing trend for small farms with GARs of \$1 million or less for the review period.

The bank's excellent CAA small farm penetration is consistent with the performance at the prior CRA PE.

### **Response to CRA-Related Complaints**

A review of FDIC records, as well as the bank's CRA public file, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation; therefore, this criterion was not rated.

## **COMMUNITY DEVELOPMENT TEST**

### **Community Development (CD) Activity**

FNBD is rated "Outstanding" under the CD test.

FNBD's CD test performance demonstrates excellent responsiveness to the CD needs in the CAA through CDLs, CDIs, and CDSs, considering the institution's capacity and the need and availability of such opportunities for CD in the CAA.

The outstanding CD rating is primarily the result of the excellent level, and continued growth of CDLs and CDSs. FNBD demonstrates excellent performance in originating CDLs, considering the bank's asset size, financial capacity, economic conditions, and lending opportunities within the CAA. FNBD's level of qualified CDIs demonstrates an adequate level and responsiveness to the credit and community economic development needs based on opportunities for such investments in the CAA. FNBD demonstrates excellent responsiveness in providing CDSs targeted to the CD needs within the bank's CAA.

### **Community Development Lending**

During the review period, FNBD originated 101 CDLs, totaling approximately \$155.6 million. The \$155.6 million in CDLs represents 29.1 percent of total loans, 16.3 percent of total assets, and 180.0 percent of total equity capital as of the September 30, 2014 Call Report.

Since the previous evaluation, FNBD substantially increased the CDLs by number (27.8 percent higher) and by dollar volume (45.8 percent higher). The substantial increase reflects excellent growth, especially considering that the current evaluation's review period is 125 days shorter than the prior evaluation (9.8 percent fewer days).

FNBD originated a majority of its CDLs within the Sacramento AA where there is a larger population and greater percentage of LMI CTs. FNBD originated 61.4 percent of its CDLs, by number, within the Sacramento AA. The CDLs include organizations and purposes that span all four types of CD needs.

Table 15 illustrates the number and dollar volume of CDLs originated by type and AA since the previous evaluation:

<b>Table 15 – Community Development Lending</b>										
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Economic Development</b>		<b>Community 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>2012</b>										
Sacramento AA	39	47,879	1	2,292	16	28,105	19	11,482	3	6,000
Solano AA	2	210	1	150	-	-	1	60	-	-
<b>Total</b>	<b>41</b>	<b>48,089</b>	<b>2</b>	<b>2,442</b>	<b>16</b>	<b>28,105</b>	<b>20</b>	<b>11,542</b>	<b>3</b>	<b>6,000</b>
<b>2013</b>										
Sacramento AA	31	55,497	1	2,292	17	33,375	7	5,045	6	14,785
Solano AA	1	1,820	-	-	-	-	1	1,820	-	-
<b>Total</b>	<b>32</b>	<b>57,317</b>	<b>1</b>	<b>2,292</b>	<b>17</b>	<b>33,375</b>	<b>8</b>	<b>6,865</b>	<b>6</b>	<b>14,785</b>
<b>2014</b>										
Sacramento AA	23	39,979	-	-	11	24,822	7	3,712	5	11,445
Solano AA	3	860	2	660	-	-	1	200	-	-
Statewide	2	9,376	-	-	2	9,376	-	-	-	-
<b>Total</b>	<b>28</b>	<b>50,215</b>	<b>2</b>	<b>660</b>	<b>13</b>	<b>34,198</b>	<b>8</b>	<b>3,912</b>	<b>5</b>	<b>11,445</b>
<b>Grand Total</b>	<b>101</b>	<b>155,621</b>	<b>5</b>	<b>5,394</b>	<b>46</b>	<b>95,678</b>	<b>36</b>	<b>22,319</b>	<b>14</b>	<b>32,230</b>
<i>Source: FNBD Bank Records</i>										

FNBD originated CDLs that cover all four types of CD activities. The following are notable examples of FNBD's CDL activities:

- A \$3 million secured loan to a non-profit affordable housing organization located in a moderate-income CT in Yolo County, CA. The loan purpose is to provide 48 units of affordable housing for low-income tenants.
- A \$1.1 million secured loan to a non-profit consignment store located in middle-income CT in Davis, Yolo County, CA. The non-profit store raises funds that are distributed to local non-profits that serve mental health needs in Yolo County, including employment opportunities for Yolo County mental health clients.
- A \$2.5 million unsecured revolving line-of-credit (RLOC) to a for-profit manufacturing company located in a moderate-income CT in the West Sacramento Enterprise Zone, Yolo County, CA. The manufacturing company has 35 employees that reside in the area.

- A \$2.5 million unsecured RLOC to a non-profit organization in Davis, Yolo County, CA. The non-profit organization employs nearly 200 people and operates healthcare clinics that serve primarily low-income clients throughout Yolo County.
- A \$200,000 unsecured RLOC to a non-profit affordable housing organization in the Solano AA.

### **Community Development Investments**

Overall, the number and dollar amount of CDIs are similar to the previous evaluation. Examiners identified two new CDIs. The total dollar volume of CDIs during the review period is \$4.5 million, and represents 0.5 percent of total assets, 5.2 percent of total equity capital, and 3.1 percent of total investments, as of the September 30, 2014 Call Report.

Table 16 illustrates the number and dollar volume of CDIs originated by type and AA since the previous evaluation:

<b>Table 16 – Community Development Investments (000s)</b>										
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Economic Development</b>		<b>Community 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 (PP)</b>										
Sacramento AA	2	1,094	2	1,094	-	-	-	-	-	-
Solano AA	2	1,620	-	-	-	-	2	1,620	-	-
Statewide	2	210	-	-	1	50	1	160	-	-
<b>Total – PP</b>	<b>6</b>	<b>2,924</b>	<b>2</b>	<b>1,094</b>	<b>1</b>	<b>50</b>	<b>3</b>	<b>1,780</b>	<b>-</b>	<b>-</b>
<b>2012</b>										
Sacramento AA	1	1,180	-	-	-	-	1	1,180	-	-
Solano AA	-	-	-	-	-	-	-	-	-	-
Statewide	-	-	-	-	-	-	-	-	-	-
<b>Total – 2012</b>	<b>1</b>	<b>1,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1,180</b>	<b>-</b>	<b>-</b>
<b>2013</b>										
Sacramento AA	1	400	-	-	-	-	1	400	-	-
Solano AA	-	-	-	-	-	-	-	-	-	-
Statewide	-	-	-	-	-	-	-	-	-	-
<b>Total – 2013</b>	<b>1</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>400</b>	<b>-</b>	<b>-</b>
<b>2014</b>										
Sacramento AA	-	-	-	-	-	-	-	-	-	-
Solano AA	-	-	-	-	-	-	-	-	-	-
Statewide	-	-	-	-	-	-	-	-	-	-
<b>Total – 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>8</b>	<b>4,504</b>	<b>2</b>	<b>1,094</b>	<b>1</b>	<b>50</b>	<b>5</b>	<b>3,360</b>	<b>-</b>	<b>-</b>
<i>Source: FNBD Bank Records</i>										

- The 2 new CDIs for \$1.2 million and \$0.4 million support the development and operation of a renewable energy facility that serves a LMI population.

Since the prior evaluation, FNBD granted 136 donations totaling \$166,927. The figures report an increase from the previous evaluation. The total donations increased 24.6 percent, by number, and 25.9 percent, by dollar volume. The donations include activities that span all four types of CD needs.

Table 17 illustrates the number and dollar volume of qualified grants and donations made by CD category.

<b>Table 17 – Community Development Donations</b>										
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Economic Development</b>		<b>Community Services</b>		<b>Revitalization or Stabilization</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<b>2012</b>										
Sacramento AA	24	19,450	3	2,250	3	5,350	18	11,850	-	-
Solano AA	16	28,357	1	40	1	1,000	14	27,317	-	-
Statewide	-	-	-	-	-	-	-	-	-	-
<b>Total – 2012</b>	<b>40</b>	<b>47,807</b>	<b>4</b>	<b>2,290</b>	<b>4</b>	<b>6,350</b>	<b>32</b>	<b>39,167</b>	<b>-</b>	<b>-</b>
<b>2013</b>										
Sacramento AA	32	27,890	1	500	6	10,000	24	16,890	1	500
Solano AA	13	23,395	-	-	2	2,500	11	20,895	-	-
Statewide	3	2,500	-	-	-	-	3	2,500	-	-
<b>Total – 2013</b>	<b>48</b>	<b>53,785</b>	<b>1</b>	<b>500</b>	<b>8</b>	<b>12,500</b>	<b>38</b>	<b>40,285</b>	<b>1</b>	<b>500</b>
<b>2014</b>										
Sacramento AA	29	31,550	1	250	3	7,000	25	24,300	-	-
Solano AA	19	33,785	2	400	1	1,000	16	32,385	-	-
Statewide	-	-	-	-	-	-	-	-	-	-
<b>Total – 2014</b>	<b>48</b>	<b>65,335</b>	<b>3</b>	<b>650</b>	<b>4</b>	<b>8,000</b>	<b>41</b>	<b>56,685</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>136</b>	<b>166,927</b>	<b>8</b>	<b>3,440</b>	<b>16</b>	<b>26,850</b>	<b>111</b>	<b>136,137</b>	<b>1</b>	<b>500</b>
<i>Source: FNBD Bank Records</i>										

FNBD made CD donations that span all four types of CD activities. The following are notable examples of the bank's qualified donations and grants:

- FNBD provided \$51,000 in total donations to sponsor financial education across the CAA.
- FNBD provided \$3,000 in total donations to the Solano Economic Development Corporation and \$1,500 in total donations to the Downtown Vacaville Business Improvement District. The two organizations provide support services to small businesses in LMI areas throughout the Solano AA.

- FNBD provided \$10,000 in total donations to the United Way California Capital Region to support their community services involving healthcare, affordable housing, and financial education targeted to LMI individuals throughout the CAA.

### **Community Development Services**

Since the previous evaluation, FNBD substantially increased the CDSs by number of services provided and by total hours. The number of CDSs increased from 24 services to 115 services. The total number of service hours increased from 485 hours to 1,244 hours. This substantial increase reflects excellent growth, especially considering that the current evaluation's review period is 125 days shorter than the prior evaluation (9.8 percent fewer days).

During the review period, a total of 26 bank employees provided financial expertise or technical assistance to 26 different qualified CD organizations or programs, totaling approximately 1,244 hours. These CDSs are centered primarily in the Sacramento AA. These organizations are committed to CD activities that benefit small businesses or LMI individuals and geographies in the bank's CAA.

The bank's level of CDS hours is broadly distributed among the four categories of CD activities. Table 18 details FNBD's CDSs by number of individual services, as well as the number of hours served during the review period:

<b>Table 18 – Community Development Services</b>										
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Economic Development</b>		<b>Community Services</b>		<b>Revitalization or Stabilization</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>
<b>2011</b>										
Sacramento AA	6	46	-	-	1	3	5	43	-	-
Solano AA	1	48	-	-	-	-	1	48	-	-
<b>Total – 2011</b>	<b>7</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>91</b>	<b>-</b>	<b>-</b>
<b>2012</b>										
Sacramento AA	23	399	2	106	2	25	11	104	8	164
Solano AA	1	40	-	-	1	40	-	-	-	-
<b>Total – 2012</b>	<b>24</b>	<b>439</b>	<b>2</b>	<b>106</b>	<b>3</b>	<b>65</b>	<b>11</b>	<b>104</b>	<b>8</b>	<b>164</b>
<b>2013</b>										
Sacramento AA	35	330	2	104	7	22	24	198	2	6
Solano AA	17	138	-	-	5	32	12	106	-	-
<b>Total – 2013</b>	<b>52</b>	<b>468</b>	<b>2</b>	<b>104</b>	<b>12</b>	<b>54</b>	<b>36</b>	<b>304</b>	<b>2</b>	<b>6</b>
<b>2014</b>										
Sacramento AA	29	156	-	-	9	20	19	121	1	15
Solano AA	3	87	-	-	1	9	2	78	-	-
<b>Total – 2014</b>	<b>32</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>29</b>	<b>21</b>	<b>199</b>	<b>1</b>	<b>15</b>
<b>Grand Total</b>	<b>115</b>	<b>1,244</b>	<b>4</b>	<b>210</b>	<b>26</b>	<b>151</b>	<b>74</b>	<b>698</b>	<b>11</b>	<b>185</b>
<i>Source: FNBD Bank Records</i>										

The following are notable examples of FNBD's CDS activities:

- A bank officer served on the board and also served as the treasurer for a non-profit organization that houses and provides services to mentally handicapped individuals.
- A bank employee served on the board of a non-profit organization that serves LMI individuals by providing financing and technical assistance to start a business in the Sacramento AA.
- A bank employee served on the board and as treasurer of a non-profit organization that provides services to the elderly in the Solano AA.



## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## **METROPOLITAN AREA EVALUATED USING FULL-SCOPE EVALUATION PROCEDURES**

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

FNBD operates six branches in the Sacramento AA. The bank's operations within the Sacramento AA are discussed above in the sections labeled Scope of the Evaluation and Description of the Institution.

The bank originates the majority of its small business, home mortgage, and small farm loans within the Sacramento AA. The lending activities originated in the Sacramento AA accounted for 73.4 percent by number of total small business loans, 69.2 percent of total home mortgage loans, and 75.2 percent of total small farm loans. As of the June 30, 2014 Summary of Deposits Report, the Sacramento AA deposits totaled \$570.9 million, or 68.1 percent, of the bank's total deposits. FNBD competes with 41 other national, regional, and other community banks which operate 370 branch offices in the Sacramento AA. The bank's deposit market share within the Sacramento AA was 1.24 percent, representing 12th place in ranking.

Additional descriptions of the bank's operations within the Sacramento AA are discussed above in the sections labeled Scope of the Evaluation and Description of the Institution.

### **DESCRIPTION OF THE SACRAMENTO AA**

The Sacramento AA is made up of Sacramento County, Yolo County, and Placer County. The Sacramento AA is the bank's principal economic center and includes the majority of the CAA's population (88.0 percent). The section at the beginning of this evaluation titled Description of the AA includes descriptions of the individual counties that are included in the Sacramento AA. The section includes observations from community contacts and discussion on the substantial loan competition from bank and non-bank lenders within the Sacramento AA.

The discussion below highlights additional details that are relevant to the Sacramento AA full-scope evaluation.

Table 19 depicts selected demographic, housing, and business data on the Sacramento AA:

Table 19 – Demographic Information for the Sacramento AA						
Demographic Characteristics	#	Low	Moderate	Middle	Upper	NA*
		% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	442	8.4	24.4	37.1	29.9	0.2
Population by Geography	1,968,069	7.8	24.8	37.1	30.0	0.3
Owner-Occupied Housing by Geography	434,183	4.2	19.3	40.2	36.3	0.0
Business by Geography	146,458	7.6	21.8	38.7	31.9	0.0
Farms by Geography	3,556	4.3	18.0	45.1	32.6	0.0
Family Distribution by Income Level	468,123	22.7	17.1	19.9	40.2	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	186,499	12.4	35.8	35.2	16.6	0.0
Median Family Income		\$74,839	Median Housing Value		\$352,542	
HUD-adjusted Median Family Income for 2014		\$68,000				
Households Below Poverty Level		11.2%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census Data; 2014 HUD updated MFI.

Figures may not total to 100.0 percent due to rounding.

The Sacramento AA includes 37 low-income CTs and 108 moderate-income CTs, which represent 8.4 percent and 24.4 percent of the Sacramento AA CTs, respectively. The 2014 D&B data reports that 70.6 percent of businesses are located outside of the LMI areas. According to the 2010 U.S. Census, there were 775,120 total housing units in Sacramento AA. Owner-occupied units represent 56.0 percent, renter-occupied units represent 35.2 percent, and vacant housing unit represent 8.8 percent. D&B data reports that 77.7 percent of farms are located outside of the LMI CTs.

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

FNBD's performance in the Sacramento AA is "Satisfactory."

Examiners performed a full-scope evaluation of the institution's performance in the Sacramento AA. The evaluation included the lending test and CD test. The lending test analyzed small business loans, home mortgages, and small farm loans. The CD test analyzed the CDLs, CDIs, and CDSs.

FNBD's CRA performance in the Sacramento AA is consistent with the CAA.

### **LENDING TEST**

FNBD's lending performance in the Sacramento AA is "Satisfactory." The performance is consistent with the CAA.

#### **Geographic Distribution**

The bank's geographic distribution of loans reflects reasonable dispersion throughout the Sacramento AA, including LMI CTs.

FNBD's geographic distribution for small business loans is excellent, HMDA is reasonable, and small farm is poor. While the small farm geographic distribution is poor, the small farm lending carries the least weight in the analysis. The bank does not have any conspicuous gaps in the geographic distribution of lending within the Sacramento AA. The following section discusses the geographic distribution by product type.

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

The geographic distribution of small business loans reflects excellent 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 businesses as reported by D&B for 2012, 2013, and 2014.

**Table 20 – Small Business Loan Geographic Distribution in the Sacramento AA**

CT Income Level	2012 D&B	2013 D&B	2014 D&B	2012 Bank		2013 Bank		YTD 2014 Bank	
	%	%	%	#	%	#	%	#	%
Low	7.7	7.7	7.6	31	11.2	31	15.4	18	13.4
Moderate	21.8	21.7	21.8	81	29.3	49	24.4	31	23.1
Middle	38.4	38.7	38.7	96	34.8	75	37.3	52	38.8
Upper	32.1	31.9	31.9	68	24.6	46	22.9	33	24.6
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>276</b>	<b>100.0</b>	<b>201</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>

*Source: 2012, 2013, and 2014 D&B Data; FNBD Bank Records.  
 Figures may not total to 100.0 percent due to rounding.*

The proportions of the bank's small business lending that are made within LMI CTs exceed the D&B data. The excellent level of lending to small businesses that are in LMI geographies has remained relatively consistent throughout the review period.

To establish further performance context, we consider the aggregate lending data that is generated by large-bank CRA reporters. In both 2012 and 2013, FNBD's small business geographic distribution exceeds the aggregate lending data. Aggregate lending data shows that the large banks originated 7.2 percent and 7.4 percent to small businesses located in low-income CTs between 2012 and 2013, respectively. In addition, the large banks originated 18.9 percent and 19.4 percent to small businesses located in moderate-income CTs between 2012 and 2013, respectively. In both years, FNBD's small business lending to LMI CTs exceeds the large-bank lenders.

The bank's excellent dispersion of small business loans throughout the Sacramento AA is consistent with the performance at the prior CRA PE. However, the bank's small business lending for Sacramento AA shows a declining trend by number consistently year after year for the review period.

### ***HMDA Loans***

The geographic distribution of home mortgages reflects reasonable dispersion throughout the Sacramento AA. Table 21 illustrates the bank's lending performance by number and by income level of the CTs. For comparison purposes, the analysis includes the percentage of owner-occupied housing units as reported by the 2010 U.S. Census.

The table also reports the aggregate HMDA data which is compiled from all HMDA-reportable institutions.

**Table 21 – HMDA Loan Geographic Distribution in the Sacramento AA**

CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Lending Data	2013 Aggregate Lending Data	2012 Bank		2013 Bank		YTD 2014 Bank	
	%	%	%	#	%	#	%	#	%
Low	4.2	2.6	3.1	2	0.8	1	0.6	0	0.0
Moderate	19.3	13.4	15.0	17	6.9	21	13.4	6	11.1
Middle	40.2	38.4	39.0	120	48.6	66	42.0	31	57.4
Upper	36.3	45.6	42.9	108	43.7	69	44.0	17	31.5
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>247</b>	<b>100.0</b>	<b>157</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data; 2012 and 2013 Aggregate Lending Data; 2012, 2013, YTD 2014 HMDA LAR*

The geographic distribution of home mortgages is reasonable, given the level of competition within the Sacramento AA. The U.S. Census data reports that only 4.2 percent of the Sacramento AA's owner-occupied housing is located within low-income CTs. The proportion of owner-occupied housing units in moderate-income CTs is 19.3 percent. Given the limited owner-occupied housing units within in LMI CTs, FNBD's geographic distribution of home mortgage loans represents a reasonable dispersion throughout the Sacramento AA.

The bank's proportion of LMI CT lending is below the aggregate data; however, the bank has limited opportunity to lend within the LMI areas. Within Sacramento County, we can see elevated competition for mortgage loans when we compare FNBD's volume of HMDA applications against the area's population figures.

The bank's home mortgage for Sacramento AA also shows a declining trend by number consistently year after year for the review period. The bank faces significant competition from both bank and non-bank lenders in Sacramento County. This is meaningful because Sacramento County includes the substantial majority of LMI CT's within the Sacramento AA. Sacramento County has 35 of the Sacramento AA's 37 low-income CTs (94.6 percent) and 94 of the Sacramento AA's 108 moderate-income CTs (87.0 percent). During the review period, only 13.9 percent of FNBD's CAA mortgage applications came from Sacramento County. Compare this to Yolo County and Solano County which saw 48.1 percent and 32.0 percent of the CAA's total home mortgage applications. The lower application volume in Sacramento is the result of competition from the bank and non-bank lenders.

FNBD's volume of applications in Sacramento County is very low when we consider that Sacramento County includes 63.4 percent of the CAA's total population compared to 9.0 percent for Yolo County and 12.0 percent in Solano County. The figures show that the elevated home mortgage competition within Sacramento County has resulted in fewer opportunities to make loans within the LMI CTs.

Given the limited owner-occupied housing units within in LMI CTs and the high level of competition to originate home mortgages in these areas, FNBD's geographic distribution of home mortgage loans represents a reasonable dispersion throughout the Sacramento AA.

The Sacramento AA home mortgage geographic distribution for low-income CT is consistent with the performance at the prior CRA PE. However, the moderate-income geographic distribution for the last CRA PE for year 2011 shows 18.3 percent which is higher than the current review period moderate-income geographic distribution at 11.1 percent for YTD 2014.

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

FNBD's geographic distribution of small farm lending reflects poor dispersion throughout the Sacramento AA. As shown in Table 22, the bank originated only one small farm loan to the LMI CTs throughout the period of review.

<b>Table 22 – Small Farm Loan Geographic Distribution in the Sacramento AA</b>									
<b>CT Income Level</b>	<b>2012 D&amp;B</b>	<b>2013 D&amp;B</b>	<b>2014 D&amp;B</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	4.6	4.5	4.3	0	0.0	0	0.0	0	0.0
Moderate	18.7	18.1	18.0	1	2.0	0	0.0	0	0.0
Middle	44.2	44.7	45.1	42	84.0	15	78.9	15	78.9
Upper	32.5	32.7	32.6	7	14.0	4	21.1	4	21.1
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>50</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>
<i>Source: 2012, 2013, and 2014 D&amp;B Data; FNBD Bank Records</i>									

The bank's performance has declined since the prior CRA PE. At the prior CRA PE, the bank originated 33 small farm loans to moderate-income CTs. This number has decreased to one small farm loan at the current evaluation.

To establish further performance context, we consider the aggregate lending data that is generated by large-bank CRA reporters. The aggregate data shows that large banks have originated loans to small farms within the Sacramento AA. In 2012 and 2013, the aggregate data reports that large banks made 1.3 percent and 0.9 percent of their small farm loans to low-income CTs. In 2012 and 2013, the aggregate data reports that large banks made 7.4 percent and 5.1 percent of their small farm loans to moderate-income CTs. The aggregate data demonstrates that there is some loan demand within the LMI CTs; however, FNBD originated only one small farm loan during the review period.

The bank's poor dispersion of small farm loans throughout the Sacramento AA reflects a decrease in the bank's performance since the prior CRA PE. The small farm geographic distribution in the Sacramento AA is consistent with the overall performance in the CAA.

## **Borrower Profile**

The bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes, given the demographics of the AA and the level of competition for such loans in the AA.

On a product-specific level, the borrower distribution for small business loans and home mortgage loans is reasonable, while the small farm borrower profile is excellent. The following section discusses the borrower profile by product type.

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

The distribution of small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less.

Table 23 illustrates the distribution of small business loans by GAR. For comparison purposes, the table includes the percentage of total businesses as reported by D&B in the Sacramento AA for 2012, 2013, and 2014.

<b>Table 23 – Small Business Loan Borrower Profile in the Sacramento AA</b>									
<b>GAR</b>	<b>2012 D&amp;B</b>	<b>2013 D&amp;B</b>	<b>2014 D&amp;B</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	73.8	74.1	73.7	116	42.0	86	42.8	41	30.6
> \$1 Million	3.3	3.5	3.9	159	57.6	114	56.7	91	67.9
Not Applicable	22.9	22.4	22.4	1	0.4	1	0.5	2	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>276</b>	<b>100.0</b>	<b>201</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>
<i>Source: 2012, 2013, and 2014 D&amp;B Data; FNBD Bank Records.</i>									

In 2012 and 2013, the bank made 42.0 percent and 42.8 percent of its small business loans to small businesses. In YTD 2014, this figure drops to 30.6 percent. The YTD 2014 decline is caused, in part, by the timing of the data. The YTD 2014 data does not include 10 small business loan renewals that occur annually during the fourth quarter. The 10 small business renewals are for businesses with GARs less than \$1 million. In addition to the renewals, the bank presented examiners with data showing 51 recently originated small business loans in the Sacramento AA. The new small business loans included 23 loans to businesses with GARs of \$1 million or less (63.9 percent).

The 2014 D&B data indicates that 73.7 percent of businesses within the Sacramento AA have GARs of \$1 million or less. Although FNBD's percentages are below that of D&B, the bank's performance is considered reasonable. The evaluation takes into account that D&B data includes all small businesses within the bank's Sacramento AA that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. The business survey data regularly indicates that the vast majority of businesses in a given area are small businesses. Moreover, the D&B data is only used as an indicator of business



demographics in the Sacramento AA, and it is not considered an absolute indicator of loan demand.

To establish further performance context, we consider the aggregate lending data that is generated by large-bank CRA reporters. In 2012, the aggregate data reported that the large banks made 44.0 percent of their small business loans to businesses with GARs of \$1 million or less in the Sacramento AA. In 2013, the percentage increased to 50.3 percent. The aggregate data for 2014 was not available during the examination. FNBD's performance is consistent with aggregate data in 2012, but falls below the aggregate data in 2013.

While the bank's performance declined below aggregate data, the bank's performance is not directly comparable to the aggregate data. The aggregate lending data includes large-bank CRA reporters and credit card loans made to small businesses. FNBD is not a large-bank CRA reporter, and the bank does not originate credit card loans.

Compared to the bank's performance at the last CRA Evaluation (44.7 percent in 2011), the bank's number of loans to businesses with GARs of \$1 million or less reflects a decline. While the Sacramento AA's small business borrower profile reports a nominal decline, the performance remains reasonable, given the demographics of the AA and the level of competition for such loans in the AA.

### ***HMDA Loans***

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels.

Table 24 illustrates the distribution of loans by borrower income level. For comparison purposes, the analysis includes 2012 and 2013 aggregate lending data and the percentage of families by income level as reported in the 2010 U.S. Census (U.S. Census).

<b>Table 24 - HMDA Loan Borrower Profile in the Sacramento AA</b>									
<b>Borrower Income Level</b>	<b>Families</b>	<b>2012 Aggregate Data</b>	<b>2013 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>		<b>YTD 2014 Bank</b>	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	22.7	8.2	5.7	11	4.5	4	2.5	1	1.9
Moderate	17.1	15.8	14.8	35	14.2	16	10.2	5	9.3
Middle	19.9	21.8	22.2	68	27.5	36	22.9	13	24.1
Upper	40.3	41.3	45.2	133	53.8	94	59.9	34	62.9
Income Not Reported	0.0	12.9	12.1	0	0.0	7	4.5	1	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>247</b>	<b>100.0</b>	<b>157</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data; 2012 and 2013 Aggregate Lending Data; 2012, 2013, and YTD 2014 HMDA LAR</i>									

The 2010 U.S. Census data indicates that 22.7 percent and 17.1 percent of families within the AA are low-income and moderate-income, respectively. Although FNBD's percentages are below the proportion of LMI individuals reported in the 2010 U.S. Census, the performance is reasonable. The evaluation takes into account that the 2010 U.S. Census data contains all individuals, including those who have limited or no credit needs. The U.S. Census data reports that 11.2 percent of the population is below the poverty level. Many of the LMI families rent as opposed to own their own homes. The U.S. Census data is only used as an indicator of demographics in the AA, and it is not considered an absolute indicator of loan demand. The U.S. Census reports that owner-occupied units represent 56.0 percent of housing units, renter-occupied units represent 35.2 percent, and vacant housing units represent 8.8 percent. FNBD's home mortgage borrower profile is reasonable, given the housing demographics in the Sacramento AA.

In 2012 and 2013, the bank's lending to LMI borrowers is below the aggregate data; however, the performance remains reasonable, given the substantial home mortgage competition within the AA.

The bank faces significant competition from both bank and non-bank lenders in Sacramento County (refer to the CAA Borrower Profile for details regarding the mortgage competition in Sacramento County). The strong competition influences the bank's performance because Sacramento County includes the majority of the LMI population within the Sacramento AA (76.9 percent). Given the elevated competition amongst home mortgage lenders within the Sacramento AA, FNBD's home mortgage borrower profile remains reasonable.

Compared to the bank's performance at the last CRA PE (11.0 percent low-income and 13.4 percent moderate-income in 2011), the bank's lending to LMI individuals reflects a decline. While the Sacramento AA's home mortgage borrower profile reports a nominal decline, the performance remains reasonable, given the demographics of the AA and the level of competition for such loans in the AA.

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

The distribution of small farm loans reflects excellent penetration among small farms with GARs of \$1 million or less.

Table 25 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 2012, 2013, and 2014.

**Table 25 – Small Farm Loan Borrower Profile in the Sacramento AA**

GAR	2012 D&B	2013 D&B	2013 D&B	2012 Bank		2013 Bank		YTD 2014 Bank	
	%	%	%	#	%	#	%	#	%
≤ \$1 Million	95.3	95.1	94.3	36	72.0	15	78.9	15	78.9
> \$1 Million	3.2	3.2	3.7	13	26.0	4	21.1	4	21.1
Not Applicable	1.5	1.7	2.0	1	2.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>

*Source: 2012, 2013, and 2014 D&B Data; FNBD Bank Records.*

The 2014 D&B data indicates that 94.3 percent of farms within the Sacramento AA have GARs of \$1 million or less. Although FNBD's percentages are below that of D&B, the bank's performance is excellent. The evaluation takes into account that D&B data includes all farms within the bank's Sacramento AA that voluntarily respond to a survey request, including a large number of very small farms that have limited or no credit needs. The farm business survey data regularly indicates that the vast majority of farms in a given area are small farms. Moreover, the D&B data is only used as an indicator of farm business demographics in the Sacramento AA, and it is not considered an absolute indicator of loan demand. FNBD's small farm borrower profile is excellent, given the proportion of small farms in the Sacramento AA.

To establish further performance context, examiners considered the aggregate lending data that was generated by large-bank CRA reporters. The aggregate lending data was used to understand lending opportunities in the Sacramento AA. FNBD substantially exceeds the aggregate data in both 2012 and 2013. The aggregate lending data reported that 44.0 percent of the small farm lending was made to businesses with GAR of \$1 million or less in 2012, and 50.3 percent in 2013.

In 2013 and 2014, the bank has increased its proportion of lending to small farms. In 2012, the level of lending to small farms is lower than the prior evaluation (83.0 percent to small farms in 2011); however, the overall level of penetration among small farms remains excellent.

The bank's excellent small farm lending penetration in the Sacramento AA is consistent with the performance at the prior CRA PE.

## **COMMUNITY DEVELOPMENT TEST**

### **Community Development Activity**

FNBD's CD test performance in the Sacramento AA is "Outstanding."

FNBD's CD test performance demonstrates excellent responsiveness to the CD needs in the Sacramento AA through CDLs, CDIs, and CDSs, considering the institution's capacity and the

need and availability of such opportunities in the AA. The outstanding CD rating is primarily the result of the excellent level, and continued growth of, CDLs and CDSs.

The bank's CD test performance in the Sacramento AA is consistent with the CAA CD test conclusions.

### **Community Development Loans**

FNBD originated 93 CDLs in the Sacramento AA totaling approximately \$143.4 million. The qualified CDLs originated by FNBD were targeted to organizations which provided a broad array of CD activity, including affordable housing, economic development, community services, as well as revitalization and stabilization.

The CDLs within the Sacramento AA increased 31.0 percent by number and 43.9 percent by dollar volume since the prior evaluation.

### **Community Development Investments**

During the period of review, FNBD originated 2 CDIs in the Sacramento AA totaling approximately \$1.6 million. The two CDIs were for a renewable energy facility that serves a LMI population. The bank also carried forward 2 prior-period CDIs with total outstanding balances of approximately \$1.1 million. FNBD gave 85 CD donations in the Sacramento AA totaling \$78,890. The bank gave the donations to organizations which provided a broad array of CD activity, including affordable housing, economic development, community services, as well as revitalization and stabilization.

The level of CDIs within the Sacramento AA is consistent with the prior evaluation.

### **Community Development Services**

FNBD completed 93 CDSs in the Sacramento AA totaling 931 hours. The qualified CDSs originated by FNBD were primarily targeted to causes which provided a broad array of CD activity, including affordable housing, economic development, community services, and revitalization and stabilization.

The CDSs within the Sacramento AA substantially increased since the prior evaluations. The CDSs within the Sacramento AA increased more than seven times, by number and doubled, by dollar volume.

## **METROPOLITAN AREA EVALUATED USING LIMITED-SCOPE EVALUATION PROCEDURES**

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

FNBD's headquarters and three branch locations are situated within the Solano AA. As of the June 30, 2014 Summary of Deposits Report, the Solano AA deposits totaled \$267.4 million, or 31.9 percent, of the bank's total deposits. As a percentage of the CAA, the Solano AA includes the least amount of the bank's loan activity. The lending activities originated in the Solano AA accounted for 26.6 percent by number of total small business loans, 30.8 percent of total home mortgage loans, and 24.8 percent of total small farm loans. FNBD competes with 13 other national, regional, and other community banks which operate 63 branch offices in the Solano AA. The bank's deposit market share within the AA was 7.5 percent, representing the 5th place ranking.

Additional descriptions of the bank's operations within the Solano AA are discussed above in the sections labeled Scope of the Evaluation and Description of the Institution.

### **DESCRIPTION OF THE SOLANO AA**

The Solano AA is made up of Solano County, excluding the two Cities of Vallejo and Benicia in the southwestern section. Both Vallejo and Benicia are located on the north-east end of the San Francisco Bay and are heavily banked by Bay Area institutions. The Solano AA includes 12.0 percent of the CAA's population. The section at the beginning of this evaluation, titled Description of the AA, includes a description of Solano County. The Description of the AA also includes observations from community contacts.

The discussion below highlights additional details that are relevant to the Solano AA limited-scope evaluation.

Table 26 depicts selected demographic, housing, and business data on the Solano AA:

Table 26 – Demographic Information for the Solano AA						
Demographic Characteristics	#	Low	Moderate	Middle	Upper	NA*
		% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	57	0.0	26.3	47.4	24.6	1.7
Population by Geography	268,490	0.0	22.9	46.6	27.6	2.9
Owner-Occupied Housing by Geography	58,492	0.0	16.2	49.7	34.1	0.0
Business by Geography	15,973	0.0	22.4	47.1	30.4	0.1
Farms by Geography	609	0.0	8.9	55.7	35.5	0.0
Family Distribution by Income Level	64,552	18.6	18.2	22.8	40.4	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	23,768	0.0	34.9	49.2	16.0	0.0
Median Family Income		\$81,534	Median Housing Value		\$378,508	
HUD-adjusted Median Family Income for 2013		\$76,700				
Households Below Poverty Level		8.1%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census Data; 2014 HUD updated MFI.

Figures may not total to 100.0 percent due to rounding.

The Solano AA does not include any low-income CTs. The Solano AA includes 15 moderate-income CTs, representing 26.3 percent of the total CTs within the Solano AA.

The 2014 D&B data reports that 77.5 percent of businesses are located outside of the LMI areas. According to the 2010 U.S. Census, there were 93,638 total housing units in the Solano AA. Owner-occupied housing units represent 62.5 percent, renter-occupied units represent 30.6 percent, and vacant housing unit represent 6.9 percent. D&B data reports that 91.2 percent of farms are located outside of the LMI CTs.

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

### LENDING TEST

FNBD's lending performance in the Solano AA is consistent with the performance in the CAA, including the poor geographic distribution for small farm loans. The bank did not originate any small farm loans in the moderate-income CTs during the period of review. According to D&B, 8.9 percent of Solano AA farms are located in moderate-income CTs. However, the bank's

performance is partially mitigated by the geographic performance context information and the aggregate data. The Solano AA CT maps show that the moderate-income CTs are within urban centers with limited farm lending opportunities. Large-bank CRA reporters did not report any small farm loan originations in the moderate-income CTs in 2012. In 2013, the large-bank CRA reporters originated 3.7 percent of their Solano AA small farm loans to moderate-income CTs.

### **COMMUNITY DEVELOPMENT TEST**

The bank's CD performance within the Solano AA is consistent with the performance in the CAA. FNBD originated 6 CDLs for \$2.9 million that are targeted to affordable housing and community service needs in the Solano AA. FNBD carried forward 2 Solano AA prior-period investments with total outstanding balances of \$1.6 million. The bank gave 48 donations for a total of \$85,537 to support affordable housing, economic development, and community service needs in the Solano AA. The bank completed 22 CDSs for 313 total hours during the review period. The CDSs contributed to economic development and community service needs in the Solano AA.

## APPENDIX A - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Census Tract:** 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. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designated to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparison.

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

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000) in New England. An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

### HOUSING TERMS

**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 a "female householder" (a family with a female householder and no husband present).

**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.

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



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

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

### **INCOME TERMS**

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

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

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

**HUD-adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

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

**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.

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

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

**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.

### **OTHER TERMS**

**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.

**Community development:** (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) 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, (4) 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 agencies, 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.

**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.

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

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