

# **PUBLIC DISCLOSURE**

July 18, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Northwest Bank  
Certificate Number: 58752

1750 West Front Street, Suite 150  
Boise, Idaho 83702

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

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

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the assessment area credit needs.
- The bank originated a majority of small business loans within its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

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

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

## DESCRIPTION OF INSTITUTION

Northwest Bank (NB) is a state-chartered, full-service commercial bank headquartered in Boise, Idaho, with operations also in Oregon and Washington. Initially, the bank was established as Western Capital Bank on March 31, 2008, and later became NB on August 15, 2012, as the bank merged with NB of Lake Oswego. NB is a wholly-owned subsidiary of Western Capital Corporation located in Boise, Idaho, which is a wholly-owned subsidiary of GWY, LLC, a one-bank holding company located in Bellevue, Washington. NB has no affiliates, and all lending activity evaluated was provided by the bank.

NB received a Satisfactory CRA Rating at the prior joint FDIC Performance Evaluation dated June 10, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

NB operates four full-service branches throughout three states of the Pacific Northwest. The bank also has a loan production office, which the bank opened in August 2019, and is outside of its assessment area in Salt Lake City, Utah. Beside the loan production office opening, there was no branching activity within the assessment area, or merger or acquisition activities since the previous evaluation.

The bank has designated four assessment areas. Refer to the table under the Description of Assessment Area for details of the assessment areas with respective counties, number of census tracts and branches.

The bank serves the needs of Pacific Northwest businesses, organizations, and professionals, offering a variety of business and commercial real estate lending services. Products include operating loans, credit lines, letters of credit, and bridge loans among others. NB continues to partner with the SBA, and provides a variety of deposit services. Alternative banking services include online and mobile banking, electronic bill pay, and automated teller machines.

Assets totaled approximately \$709.7 million as of March 31, 2022, and included total loans of approximately \$614.4 million. The table on the following page depicts the loan portfolio distribution.

<b>Loan Portfolio Distribution as of 3/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	69,635	11.3
Secured by Farmland	209	0.0
1-4 Family Residential	9,618	1.6
Multi-family (5 or more) Residential	18,607	3.0
Commercial Real Estate	193,228	31.5
<b>Total Real Estate Loans</b>	<b>291,297</b>	<b>47.4</b>
Commercial and Industrial	322,524	52.5
Agricultural	-	0.0
Consumer	14	0.0
Obligations of State and Political Subdivisions in the United States	462	0.1
Other	149	0.0
Less: Unearned Income	-	0.0
<b>Total Loans</b>	<b>614,446</b>	<b>100.0</b>
<i>Source: 3/31/2022 Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREAS

NB designates four assessment areas within the three states of Idaho, Oregon and Washington. There were no changes to the institution’s rated areas since the prior evaluation. Refer to the rated areas and individual assessment areas for additional information.

Description of Assessment Areas			
Assessment Area	Counties	Census Tracts	Branches
<b>Idaho</b>			
Boise City Assessment Area	Ada, Canyon	88	1
Coeur d’Alene Assessment Area	Kootenai	25	1
<b>Oregon</b>			
Portland Assessment Area	Clackamas, Multnomah, Washington	355	1
<b>Washington</b>			
Seattle Assessment Area	King	398	1
<i>Source: Bank Records</i>			

## SCOPE OF EVALUATION

### General Information

The evaluation covers the period from the previous evaluation dated June 10, 2019, to the current evaluation dated July 18, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate NB’s CRA performance. These procedures include two tests, the Lending Test and the Community Development Test. Please refer to the Appendix for details regarding the criteria considered in these tests.

In addition to a review of the bank’s combined assessment area, the Interstate Banking and Branching Efficiency Act (IBBEA) requires separate discussion and rating of CRA performance in each state in which the bank maintains a branch. IBBEA also requires separate conclusions of CRA performance in each MSA in which the bank maintains a branch. As such, this evaluation will present four ratings. A state rating for Idaho for the performance in the Boise City, ID MSA (Boise City) assessment area and the Coeur d’Alene, ID MSA (Coeur d’Alene) assessment area; a state rating for Oregon for the performance in the Portland-Vancouver-Hillsboro, OR MSA (Portland) assessment area; a state rating for Washington for the performance in the Seattle-Bellevue-Kent, WA MSA (Seattle) assessment area; and an overall rating. The Idaho rating will provide more weight in arriving at overall conclusions than the other two states as a majority of the activities occurs in Idaho.

Examiners used full-scope procedures to evaluate the lending performance in the Boise City assessment area, Portland assessment area, and Seattle assessment area. Examiners used limited-scope procedures for the Coeur d’Alene assessment area, as the minimal lending activities in this area will not significantly influence any rating. Examiners gave most weight to the performance in Boise City assessment area, followed by the Portland assessment area and Seattle assessment area. The Boise City assessment area accounts for a majority of operations, including lending and

deposits as depicted in the following table.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Boise City	21,686	36.4	434,822	52.0	1	25.0
Coeur d'Alene	1,104	1.9	17,585	2.1	1	25.0
<b>Idaho Subtotal</b>	<b>22,790</b>	<b>38.2</b>	<b>452,407</b>	<b>54.1</b>	<b>2</b>	<b>50.0</b>
Portland	20,781	34.9	239,263	28.6	1	25.0
<b>Oregon Subtotal</b>	<b>20,781</b>	<b>34.9</b>	<b>239,263</b>	<b>28.6</b>	<b>1</b>	<b>25.0</b>
Seattle	16,061	26.9	144,820	17.3	1	25.0
<b>Washington Subtotal</b>	<b>16,061</b>	<b>26.9</b>	<b>144,820</b>	<b>17.3</b>	<b>1</b>	<b>25.0</b>
<b>Total (208 loans)</b>	<b>59,632</b>	<b>100.0</b>	<b>836,490</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (6/30/2021).*

### **Activities Reviewed**

Examiners reviewed small business loans as they represent a major product line. Examiners did not evaluate home mortgage loans and small farm loans, as these loans do not represent major product lines and did not provide material weight for the ratings.

As an Intermediate Small Institution, NB is not required to and opted not to collect and report small business loan data. Although the bank did not collect small business data, the bank provided small business loan data for 2021 in a format that examiners could use. Therefore, examiners analyzed and presented all small business loans originated in 2021. In 2021, NB originated 309 small business loans totaling \$85.4 million. This total includes 186 Paycheck Protection Program (PPP) loans totaling \$33.0 million, addressing the needs of small business during the COVID-19 pandemic. The evaluation presents 2021 small business loan data compared to 2021 D&B data. Because the bank does not report small business loans, the data will not present aggregate data reported by other lenders in the assessment areas. Examiners compared small business loan data to the percentage of businesses for geographic distribution and by gross annual revenues (GAR). Although the evaluation presents the number and dollar volume of small business lending, examiners emphasized performance by number of loans, as it is a better indicator of businesses served.

Examiners also reviewed community development activities, including community development loans and community development services since January 2, 2019, and qualified investments since the prior evaluation dated June 10, 2019. At the prior evaluation, management did not provide 2019 community development lending data or community development services for review; as such, examiners did not consider those community development activities during the prior evaluation.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The overall Lending Test performance is rated Satisfactory.

The performance under the LTD ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile support this conclusion. The overall performance is consistent with the performance in each rated area. Refer to the individual assessment area sections for detailed discussions of the Lending Test performance.

#### LTD Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The LTD ratio averaged 79.3 average over the 12 calendar quarters from June 30, 2019, to March 31, 2022. The ratio ranged from a high of 88.8 percent as of June 30, 2020, to a low of 62.4 percent as of September 30, 2021.

Examiners compared the average net LTD ratio to three similarly situated institutions selected based on asset size, geographic location and lending focus. As shown in the following table, the bank continued to maintain a net LTD ratio comparable to similarly situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Northwest Bank</b>	<b>1,091,862</b>	<b>79.3</b>
Similarly Situated Institution #1	926,476	88.8
Similarly Situated Institution #2	549,577	82.5
Similarly Situated Institution #3	767,060	78.7
<i>Source: Reports of Income and Condition 6/30/2019 through 3/31/2022</i>		

#### Assessment Area Concentration

A majority of loans and other lending related activities are in the bank's assessment areas. Refer to the following table.



Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2021	208	67.3	101	32.7	309	59,632	69.8	25,812	30.2	85,444
<b>Total</b>	<b>208</b>	<b>67.3</b>	<b>101</b>	<b>32.7</b>	<b>309</b>	<b>59,632</b>	<b>69.8</b>	<b>25,812</b>	<b>30.2</b>	<b>85,444</b>

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

### **Geographic Distribution**

Geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The performance is not consistent throughout the rated areas. While the performance in the Idaho rated area and Oregon rated area is reasonable and consistent with the rated areas, the performance in the Washington rated area is excellent and above the rated areas.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes throughout the assessment areas. The performance is consistent within the three rated areas.

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated Satisfactory. The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities. Examiners determined that the conclusions regarding the institution's overall performance are consistent among all the rated areas.

Examiners quantitatively evaluated community development loans, qualified investments, and community development services quantitatively based on the financial capacity of the bank, as well as qualitatively based upon the impact to the assessment areas. Examiners also compared the institution's community development performance with the bank's previous performance as well as to the performance of two similarly situated institutions.

## Community Development Loans

The current period evaluation of community development lending represents 3.4 percent of average total assets and 4.9 percent of average total loans. At the prior evaluation, NB reported 25 community development loans totaling \$38.7 million, which represented 6.6 percent of average total assets and 8.1 percent of average total loans. Although the bank's level of community development loans by dollar is 15.2 percent below the prior evaluation, the number of loans originated increased by 44.4 percent during this review period. In light of qualitative context, community development loans made during this evaluation met specific community credit needs identified by the community contact and were impactful to low- and moderate-income areas, low- and moderate-income individuals, and small businesses.

Overall, the quantity and quality of community development lending is comparable to the prior evaluation and other similarly situated institutions. The following table provides further information on qualified community development loans made during the evaluation period by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2019	7	385	1	200	0	0	2	11,169	10	11,754
2020	9	311	1	750	0	0	0	0	10	1,061
2021	10	3,921	1	750	1	15,000	0	0	12	19,671
YTD 2022	13	328	0	0	0	0	0	0	13	328
<b>Total</b>	<b>39</b>	<b>4,945</b>	<b>3</b>	<b>1,700</b>	<b>1</b>	<b>15,000</b>	<b>2</b>	<b>11,169</b>	<b>45</b>	<b>32,814</b>
<i>Source: Bank Data</i>										

## Qualified Investments

NB purchased approximately \$6.0 million and continues to hold \$1.5 million in qualified investments compared to \$9.6 million at the last evaluation. This level represents 0.8 percent of average total assets and 8.4 percent of average total investments during the evaluation period. This is a significant decrease compared to 1.6 percent of average assets and 28.5 percent of average total investments at the prior evaluation, when then the bank was a leader among similarly situated institutions. Although the current level of qualified investments is slightly below similarly situated institutions, the \$4.8 million qualified investment has a direct impact in the bank's assessment area; whereas at the prior evaluation, there were no investments that directly impacted in the assessment areas. Refer to the table on the following page for total qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	1	1,542	0	0	1	1,542
2020	1	4,801	0	0	0	0	0	0	1	4,801
2021	0	0	0	0	1	1,197	0	0	1	1,197
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>4,801</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,739</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>7,540</b>
Qualified Grants & Donations	0	0	3	6	0	0	0	0	3	6
<b>Total</b>	<b>1</b>	<b>4,801</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>2,739</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>7,546</b>

Source: Bank Data

### Community Development Services

NB officers continue to provide services across all rated areas. Although community development services declined from 1,488 hours to 652 hours since the prior evaluation, service hours also declined in most similarly situated institutions. Due to the pandemic restrictions, it was difficult for institutions to provide services in 2020 and 2021, as reflected in the table below. Despite the lower performance than that of the prior evaluation, mostly in the Oregon rated area; the performance level is comparable to those of similarly situated institutions. Refer to the table below for total qualified service hours provided by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	20	275	0	0	295
2020	40	83	0	0	123
2021	52	65	25	0	142
YTD 2022	0	71	21	0	92
<b>Total</b>	<b>112</b>	<b>494</b>	<b>46</b>	<b>0</b>	<b>652</b>

Source: Bank Data

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act, and did not identify any discriminatory or other illegal credit practices.

## STATE OF IDAHO

**CRA RATING FOR IDAHO RATED AREA: SATISFACTORY**

**The Lending Test is rated: Satisfactory**

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

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN IDAHO

The evaluation for the Idaho rated area considered operations in the two assessment areas: the Boise City assessment area and the Coeur d'Alene assessment area. NB operates two full-service banking offices in Idaho including one office in Ada County and one office in Kootenai County. NB originates 38.2 percent of small business lending by dollar volume in the Idaho rated area; a significant majority of that lending (95.2 percent) is in the Boise City assessment area.

According to the 2015 ACS, the Idaho rated area includes 113 census tracts, consisting of 6 low-income tracts, 30 moderate-income tracts, 49 middle-income tracts, 28 upper-income tracts, and 0 tract with no income designation. Additional details for each assessment area are contained within the sections for the individual assessment areas.

### SCOPE OF EVALUATION - IDAHO

Refer to the overall Scope of Evaluation.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN IDAHO

#### LENDING TEST

NB is rated Satisfactory in Lending Test for the state of Idaho. The performance under the Geographic Distribution and Borrower Profile criteria in the Boise City assessment supports this conclusion. The lending performance level is not consistent within the Idaho rated area. While the performance in the Boise City assessment area is consistent with the Idaho rated area, the performance in the Coeur d'Alene assessment area is below the Idaho rated area. Refer to each assessment area for details.

The largest portion of lending activity is in the Boise City assessment area. Of the loans originated during 2021 in the assessment areas, NB originated 36.1 percent of small business loans by loan count and 38.2 percent by dollar volume in the Idaho rated area.

#### Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the Idaho rated area. The reasonable performance in the Boise City assessment area primarily supports this conclusion. The geographic distribution of small business loans is not consistent within the assessment areas in the rated area. The geographic distribution in the Coeur d'Alene assessment area is below the Idaho rated area. Refer to each assessment area for more details.

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Idaho rated area. The reasonable borrower profile performance in the Boise City assessment area primarily supports this conclusion. The borrower profile performance is not consistent within the assessment areas in the rated area. The borrower profile performance in the Coeur d'Alene assessment area is below the Idaho rated area. Refer to each assessment area for more details.

## **COMMUNITY DEVELOPMENT TEST**

NB is rated Satisfactory in the Community Development Test for the state of Idaho. This rating is supported by an adequate performance in providing community development loans, qualified investments, and community development services. The community development performance in the Boise City assessment area supports this conclusion. The community development performance is not consistent within the assessments areas in the Idaho rated area. While the performance level in the Coeur d'Alene assessment area for community development loans and qualified investments is below of the Idaho rated area, the performance level for community development services is consistent with the Idaho rated area. Refer to each assessment area for more details.

## **Community Development Loans**

NB provided \$15.1 million in community development loans in Idaho during the evaluation period, comparable to the \$14.9 million reported at the prior evaluation. NB provided a commitment of up to \$2 million of the \$15.0 million participation in the consortium. Although the bank did not originate any community development loans in the Coeur d'Alene assessment area, management made two community development loan advances totaling \$108,000 to a consortium of banks providing multi-family affordable housing loans that benefitted the Idaho statewide area.

## **Qualified Investments**

NB invested in one mortgage-backed security investment in 2021 fully dedicated to mortgages provided to low- and moderate-income borrowers. The investment included two underlying mortgages to low- and moderate-income families in the Boise City assessment area totaling \$458,000. There were no investments made in the Coeur d'Alene assessment area. The level of investments in Idaho declined from the prior evaluation.

## **Community Development Services**

NB staff provided 368 hours of community development services during the evaluation, including 112 hours in affordable housing purpose and 202 hours in community services purpose in the Boise City assessment area and 54 hours in community service purpose in the Coeur d'Alene assessment area. This performance level is slightly below the prior evaluation's total of 415 hours (340 hours in the Boise City assessment area and 75 hours in the Coeur d'Alene assessment areas) over a shorter evaluation period.

## **BOISE CITY ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN BOISE CITY**

This assessment area includes two contiguous counties of Ada and Canyon, which are located within the Boise City, ID MSA. NB operates one full-service branch located in a low-income census tract in this assessment area. Refer to the operations portion under the Description of Institution for a full discussion regarding operations and product offerings. Information relied upon for the evaluation includes records and reports provided by NB, publicly available financial and loan information, demographic data, and community contact interviews. According to the 2015 ACS, the Boise City assessment area includes 88 census tracts consisting of 6 low-income tracts, 25 moderate-income tracts, 33 middle-income tracts, 24 upper-income tracts, and 0 with no income designation.

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

The table on the following page shows the Boise City assessment area demographic information.

Demographic Information of the Assessment Area						
Assessment Area: Boise City						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	88	6.8	28.4	37.5	27.3	0.0
Population by Geography	616,422	3.6	26.4	44.8	25.2	0.0
Housing Units by Geography	235,712	4.2	26.7	43.8	25.3	0.0
Owner-Occupied Units by Geography	151,060	1.5	22.2	46.4	29.9	0.0
Occupied Rental Units by Geography	72,033	8.9	35.5	39.4	16.1	0.0
Vacant Units by Geography	12,619	9.5	29.8	37.6	23.2	0.0
Businesses by Geography	94,597	8.2	21.5	39.5	30.8	0.0
Farms by Geography	3,261	4.1	21.7	46.9	27.2	0.0
Family Distribution by Income Level	152,134	18.9	18.6	21.8	40.7	0.0
Household Distribution by Income Level	223,093	22.5	16.6	18.9	42.0	0.0
Median Family Income MSA - 14260 Boise City, ID MSA		\$61,722	Median Housing Value			\$174,922
			Median Gross Rent			\$843
			Families Below Poverty Level			10.0%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to D&B in 2021, service industries represented the largest portion of businesses at 34.4 percent; followed by non-classifiable establishments at 25.8 percent; finance, insurance, and real estate at 9.7 percent; and retail trade at 9.1 percent. In addition, 62.9 percent of area businesses have four or fewer employees, and 94.5 percent operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small.

According to Moody's Analytics as July 25, 2022, the Boise City assessment area continues to drive Idaho's robust growth. The labor market is third among the 100 most populous metro areas in job gains compared to pre-pandemic levels. State government was a leader, as Boise State University expanded operations. On the contrary, manufacturing has struggled both recently and on a year-over-year basis, failing to generate consistent payroll growth. However, recent data revisions depict a more favorable picture of industry headcounts than previously believed and suggest that job gains more broadly remain robust. The top five employers in the Boise City MSA include the St. Luke's Health System, Micron Technology Inc., St. Alphonsus Regional Medical Center, Boise State University, and Walmart Inc. The unemployment rate is closing in on its all-time low, while the labor force expansion was the largest among the 95 metro areas with at least a quarter-million residents as new entrants were quickly on-boarded by employers.

According to data obtained from the U.S. Bureau of Labor and Statistics and included in the following table, Boise City unemployment rates during the evaluation period are similar to those of the state and below the national average. The unemployment rate during the pandemic was slightly

higher than the state but well below the national average rate. Canyon County is the exception and has had higher unemployment rates when compared to all other rates.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Boise City	2.8	5.7	3.5
Ada County	2.6	5.5	3.3
Canyon County	3.3	6.0	4.0
State of Idaho	3.0	5.5	3.6
National Average	3.7	8.1	5.3

*Source: Bureau of Labor Statistics*

**Competition**

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, 22 financial institutions operated 159 branches within the Boise City assessment area. Of these institutions, NB ranked 11<sup>th</sup> in total deposits with a 2.5 percent deposit market share.

The bank is not required to collect or report small business loan data and has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparison against aggregate data. The aggregate data, however, reflects the demand level for small business loans and is therefore included. The most recent small business loan data available to examiners is from 2020. Aggregate data for 2020 shows 134 institutions reported 15,994 small business loans in the assessment area indicating a high degree of competition for this product. The five most prominent small business lenders, mostly national banks, accounted for 47.8 percent of the total market share.

**Community Contact**

Examiners reviewed an existing community contact interview with an organization that serves the assessment area. The organization serves as a resource to local entrepreneurs aiding in the economic development within the Boise City assessment area. The contact noted that, while financial institutions address the financing needs of small businesses well in the assessment area, financial literacy workshops are needed to help small business owners understand what it takes to repay a loan and operate a profitable business.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans and financial literacy education represent credit needs and opportunities for the Boise City assessment area.



## CONCLUSIONS ON PERFORMANCE CRITERIA IN BOISE CITY ASSESSMENT AREA

### LENDING TEST

NB demonstrated satisfactory performance under the Lending Test for the Boise City assessment area. The performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Boise City assessment area. The excellent performance in low-income census tracts and reasonable performance in moderate-income census tracts support this conclusion. As shown in the following table, while the level of small business lending significantly exceeded demographic data in low-income census tracts, it trailed demographic data in moderate-income census tracts.

Geographic Distribution of Small Business Loans					
Assessment Area: Boise City					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	8.2	21	31.8	5,694	26.3
Moderate					
2021	21.5	12	18.2	3,225	14.9
Middle					
2021	39.5	15	22.7	4,379	20.2
Upper					
2021	30.8	18	27.3	8,388	38.7
Not Available					
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>21,686</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data.*

### Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Boise City assessment area. As shown in the following table, the lending to business with GARs of \$1 million or less significantly trailed 2021 demographic data. However, it is important to note, the small business loan data for 2021 includes PPP loans originated in response to the needs of businesses during the pandemic. Banks originated these loans under federal programs and were not required to identify the revenues of the borrower; as such, a significant majority of the small business loans reflect revenue not available. Excluding the loans in the “Revenue Not Available”

category, the bank originated 18 out of 41 loans, or 43.9 percent, to businesses with GARs of \$1 million or less. Although the evaluation does not compare the bank data directly to aggregate data, the 2020 aggregate small business lending data of 44.4 percent indicates that small business loan demand from businesses reporting GARs of \$1 million or less is not as high as the business demographics suggest. In light of the performance context, the borrower profile performance reflects reasonable penetration during the review period.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Boise City					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	91.6	18	27.3	3,846	17.7
>\$1,000,000					
2021	2.4	23	34.8	12,199	56.3
Revenue Not Available					
2021	6.0	25	37.9	5,641	26.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>21,686</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

**COMMUNITY DEVELOPMENT TEST**

The community development performance demonstrates adequate responsiveness to community development needs in the Boise City assessment area through community development loans, qualified investments, and community development services.

**Community Development Loans**

NB originated a \$15.0 million community development loan providing a line of credit targeted to economic development in the Boise City assessment in 2021. Although this performance level is below the prior evaluation’s five loans totaling \$1.8 million, the current level reflects significantly more impactful activity. This loan allowed the non-depository lender to meet credit needs for small business in a particularly difficult economic environment during the pandemic.

### Qualified Investments

NB made one qualified investment of \$458,000 and no grants or donations during the evaluation period. This level of qualified investment activity exceeds the prior evaluation, when there were no qualified investments directly attributable to the assessment area.

### Community Development Services

NB staff provided 314 hours of community development services to qualified organizations compared to 340 hours at the prior evaluation. As depicted in the table below, the pandemic had a significant impact on the bank's ability and opportunities to provide community development services in 2020 and 2021.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	20	202	0	0	222
2020	40	0	0	0	40
2021	52	0	0	0	52
YTD 2022	0	0	0	0	0
<b>Total</b>	<b>112</b>	<b>202</b>	<b>0</b>	<b>0</b>	<b>314</b>

*Source: Bank Data*

The following activity is a notable community development service performed by bank staff.

- A bank officer served on the Finance Committee of a non-profit in the Boise City assessment area that provides affordable housing and home ownership counseling and financial literacy training, especially relating to home ownership to a predominately low- and moderately-income population. A community contact identified financial literacy as a specific community development need and all 112 affordable housing hours listed above pertained to this service.

## **COEUR D'ALENE ASSESSMENT AREA – Limited-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN COEUR D'ALENE ASSESSMENT AREA**

This assessment area includes the full county of Kootenai. The county is a portion of the Coeur d'Alene, ID MSA. NB operates one full-service branch located in a moderate-income census tract in this assessment area. According to the 2015 ACS, the 25 census tracts within the Coeur d'Alene assessment area consist of no low-income tracts, 5 moderate-income tracts, 16 middle-income tracts, and 4 upper-income tracts, and 0 tracts with no income designation. Refer to the operations portion under the Description of Institution for a full discussion regarding operations and product offerings.

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

The table on the following page illustrates select 2021 demographic characteristics of the Coeur d'Alene assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Coeur d'Alene						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0.0	20.0	64.0	16.0	0.0
Population by Geography	145,046	0.0	18.1	68.7	13.1	0.0
Housing Units by Geography	65,272	0.0	17.2	68.9	13.8	0.0
Owner-Occupied Units by Geography	39,582	0.0	12.8	72.0	15.3	0.0
Occupied Rental Units by Geography	16,839	0.0	30.3	61.6	8.1	0.0
Vacant Units by Geography	8,851	0.0	12.4	69.5	18.1	0.0
Businesses by Geography	23,471	0.0	20.7	65.8	13.5	0.0
Farms by Geography	746	0.0	16.5	69.7	13.8	0.0
Family Distribution by Income Level	38,705	18.0	20.3	22.7	39.0	0.0
Household Distribution by Income Level	56,421	21.8	17.7	19.8	40.7	0.0
Median Family Income MSA - 17660 Coeur d'Alene, ID MSA		\$58,966	Median Housing Value			\$203,695
			Median Gross Rent			\$868
			Families Below Poverty Level			9.4%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, service industries represented the largest portion of businesses at 33.9 percent; followed by non-classifiable establishments at 25.5 percent; construction at 9.6 percent; retail trade at 9.4 percent; and finance, insurance, and real estate at 9.2 percent. In addition, 63.3 percent of area businesses have four or fewer employees, and 95.4 percent operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small.

According to Moody's Analytics as July 31, 2022, the Coeur d'Alene assessment area's economy will remain a step ahead of the nation's job growth over the near term. The large consumer economy will rally as travel has increased, so will healthcare as labor force growth will allow for it. The top five employers in the assessment area are Kootenai Health, Hagadone Hospitality Company, Qualfon Inc., Willamette Dental Group, and Coeur d'Alene Tribal Casino.

Data obtained from the U.S. Bureau of Labor and Statistics shows that the unemployment rates in the Coeur d'Alene assessment area varied during the evaluation period, mostly above the state and below the national average rates. The table on the following page details unemployment rates for the assessment area compared to the state and national averages.

<b>Unemployment Rates</b>			
<b>Assessment Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Coeur D’Alene	3.6	7.1	4.3
State of Idaho	3.0	5.5	3.6
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

## **Competition**

The assessment area is moderately competitive in the market for financial services in the assessment area. According to the FDIC Deposit Market Share data as of June 30, 2021, 13 financial institutions operated 38 branches within the Coeur d’Alene assessment area. Of these institutions, NB ranked 13<sup>th</sup> in total deposits with a 0.3 percent deposit market share. The top 3 institutions accounted for 68.1 percent of the deposits.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN COEUR D’ALENE**

### **LENDING TEST**

The lending performance in the Coeur d’Alene assessment area is below the lending performance in the Idaho rated area; however, it does not change the conclusion for the Idaho rating. Poor geographic dispersion and poor borrower penetration among businesses of different sizes support this conclusion.

In 2021, NB originated nine small business loans totaling approximately \$1.1 million in the assessment area. This performance level represents 12.0 percent of the lending in the Idaho rated assessment area, and 4.3 percent of the overall lending in the combined assessment areas. The bank originated one small business loan in a moderate-income census tract trailing demographic data. The bank also originated three small business loans to business customers with GAR of \$1 million or less trailing demographic data.

### **COMMUNITY DEVELOPMENT TEST**

The community development performance in the Coeur d’Alene assessment area is below the community development performance for the Idaho rated area; however, it does not change the conclusion for the Idaho rating.

The bank originated no community development loans in this assessment area during the evaluation period, compared to three community development loans totaling \$8.8 million in the assessment area during the prior evaluation period. The bank also made no qualified investments in this assessment area during the evaluation period. Bank staff provided 54 hours of community development services in this assessment area, all related to community services. This community development service level represents a decline from the 75 hours reported at prior evaluation.

## STATE OF OREGON – Full-Scope Review

**CRA RATING FOR OREGON: SATISFACTORY**

**The Lending Test is rated: Satisfactory**

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

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN OREGON

NB operates one full-service branch in the Portland assessment area, consisting of three contiguous counties of Clackamas, Multnomah and Washington in Oregon. This assessment area is a portion of the Portland-Vancouver-Hillsboro, OR-WA Multi-state MSA. There was one designated disaster area declared by FEMA on May 4, 2021 (FEMA-4599-DR) in Clackamas County within the Portland assessment area. Refer to the operations portion under the Description of Institution for a full discussion regarding operations and product offerings. According to the 2015 ACS, the 355 census tracts in Portland assessment area consist of 9 low-income tracts, 81 moderate-income tracts, 145 middle-income tracts, 117 upper-income tracts, and 3 census tracts with no income designation.

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

The table on the following page shows the Portland assessment area demographic information.

Demographic Information of the Assessment Area						
Assessment Area: Portland						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	355	2.5	22.8	40.8	33.0	0.8
Population by Geography	1,714,066	2.2	24.9	41.0	31.7	0.2
Housing Units by Geography	706,343	2.1	23.7	41.3	32.6	0.3
Owner-Occupied Units by Geography	393,840	0.9	18.9	42.6	37.6	0.0
Occupied Rental Units by Geography	272,777	3.8	30.6	39.3	25.6	0.7
Vacant Units by Geography	39,726	2.3	25.1	42.3	29.9	0.4
Businesses by Geography	245,538	2.9	20.4	37.2	37.1	2.5
Farms by Geography	6,232	1.7	15.2	49.5	33.0	0.7
Family Distribution by Income Level	411,935	21.2	16.7	20.0	42.1	0.0
Household Distribution by Income Level	666,617	24.4	15.9	17.7	42.1	0.0
Median Family Income MSA - 38900 Portland-Vancouver-Hillsboro, OR-WA MSA		\$73,089	Median Housing Value			\$302,370
			Median Gross Rent			\$1,028
			Families Below Poverty Level			9.5%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, service industries represented the largest portion of businesses at 38.4 percent; followed by non-classifiable establishments at 24.1 percent; retail trade at 10.0 percent; and finance, insurance, and real estate at 9.3 percent. In addition, 62.2 percent of area businesses have four or fewer employees, and 93.9 percent operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small.

According to Moody's Analytics as July 31, 2022, the Portland assessment area is on pace to fully recover by the end of the year. The semiconductor industry will anchor the economy. The assessment area has a young, well-educated workforce that will generate long-term outperformance, particularly with the metro area's in-demand high-tech industries. Employment growth is outpacing the state and nation, led by exceptionally strong manufacturing as well as leisure/hospitality. The top five employers in the assessment area are Intel Corp., Providence Health Systems, Oregon Health & Science University, Nike Inc., and Kaiser Foundation Health Plan of the NW.

According to data obtained from the U.S. Bureau of Labor and Statistics, the unemployment rates in the Portland assessment area during the evaluation period varied to the state and national average rates. In addition, because of the pandemic, the unemployment rate in 2020 was slightly higher than the state but lower the national average rates. The table on the following page depicts unemployment statistics for the state of Oregon, the Portland assessment area and the nation.



Unemployment Rates			
Assessment Area	2019	2020	2021
	%	%	%
Portland Assessment Area	3.5	7.8	5.1
Clackamas County	3.4	7.2	4.8
Multnomah County	3.2	8.6	5.6
Washington County	3.1	6.5	4.4
State of Oregon	3.7	7.6	5.2
National Average	3.7	8.1	5.3

*Source: Bureau of Labor Statistics*

### **Competition**

The Portland assessment area fosters a competitive banking market. According to the FDIC Deposit Market Share data as of June 30, 2021, 29 FDIC-insured financial institutions operated 326 offices within the Portland assessment area. NB ranked 20<sup>th</sup> among all institutions with 0.4 percent of the deposit market share in the Portland assessment area. Three large national financial institutions hold a majority of market shares operating 134 offices within the assessment area.

The most recent small business loan data available to examiners is from 2020. The 2020 aggregate data shows 191 institutions reported 50,792 small business loans in the assessment area indicating a high degree of competition for this product. The five most prominent small business lenders accounted for 56.7 percent of the total market share.

### **Community Contact**

Examiners reviewed a recent community contact interview with an organization that supports businesses in the assessment area. The contact explained that the area is attractive to many businesses; however, a number of businesses have closed or not yet recovered to pre-pandemic levels. Inflation and supply chain disruptions continue to make it difficult for local businesses. Additionally, restaurants struggle with labor shortages and seek grant resources in an attempt to avoid more indebtedness. The contact noted that local financial institutions were critical in stabilizing businesses during the pandemic and provided support in the form of various financing, including PPP loans. The contact also noted that the strong unmet retail demand and continued urban growth provide opportunities for financial institutions to collaborate with entrepreneurs.

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

Considering information from the community contact and key economic and demographic data, examiners determined that small business lending; particularly small dollar business lending represents a primary credit need for the assessment area.

## SCOPE OF EVALUATION – OREGON

Refer to the overall Scope of Evaluation.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN OREGON

#### LENDING TEST

NB is rated Satisfactory in the Lending Test for the state of Oregon. The performance under the Geographic Distribution and Borrower Profile criteria in the Portland assessment area supports this conclusion.

#### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Portland assessment area. As shown in the following table, while the level of small business lending is similar to demographic data in low-income census tracts, it trails demographic data in moderate-income census tracts. This performance level reflects reasonable dispersion throughout the assessment area as the bank has a limited presence operating only one branch within the assessment area. The branch is located within 3 miles of only 3 of the 81 moderate-income geographies of the assessment area. In light of performance context, the bank’s performance level is reasonable within the Portland assessment area.

Geographic Distribution of Small Business Loans					
Assessment Area: Portland					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	2.9	2	2.4	325	1.6
Moderate					
2021	20.4	13	15.9	5,537	26.6
Middle					
2021	37.2	32	39.0	8,043	38.7
Upper					
2021	37.1	30	36.6	5,440	26.2
Not Available					
2021	2.5	5	6.1	1,436	6.9
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>20,781</b>	<b>100.0</b>
<small>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</small>					

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Portland assessment area. As shown in the following table, the lending to business with GARs of \$1 million or less significantly trailed demographic data. As previously mentioned, the bank originated a significant number of PPP loans in 2021. As the SBA did not require banks to obtain revenue information for originating PPP loans, a significant majority of the small business loans reflect revenues not available. Excluding the loans in the “Revenue Not Available” category, the bank originated 40.6 percent of its small business loans to businesses reporting GARs of \$1 million or less.

While this performance is below area demographics, it is reasonable in light of the performance context. The evaluation of small business loans does not compare the bank data directly to aggregate; however, the most recent aggregate data leads to the conclusion that many small businesses fund operations from non-financial institution sources. According to the 2020 aggregate data, reporting institutions originated only 43.9 percent of small business loans to business with GARs of \$1 million or less. Furthermore, the bank’s presence is limited in this assessment area as lending activity is driven by NB’s one-branch operation within a heavily banked area of 29 financial institutions operating 326 branch offices in this area. The bank’s lending is mostly comprised of returning borrowers and referrals. These external factors support reasonable penetration in 2021.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Portland</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2021	90.9	13	15.9	3,835	18.5
<b>&gt;\$1,000,000</b>					
2021	3.1	19	23.2	8,670	41.7
<b>Revenue Not Available</b>					
2021	6.1	50	61.0	8,276	39.8
<b>Totals</b>					
2021	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>20,781</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

NB is rated Satisfactory in the Community Development Test for the state of Oregon. The institution demonstrated adequate responsiveness to the community development needs in the Portland assessment area through community development loans, qualified investments, and community development services, considering the bank’s capacity and resources.

## **Community Development Loans**

NB's number of community development loans increased while the dollar volume declined slightly from the prior evaluation's six community development loans totaling approximately \$16.2 million. NB's community development loans originated during the review period are more concentrated directly toward the Portland assessment area and met credit needs identified by a local community contact.

<b>Community Development Lending by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Portland	0	0	3	1,700	0	0	2	11,169	5	12,869
Statewide Activities	36	1,137	0	0	0	0	0	0	36	1,137
<b>Total</b>	<b>36</b>	<b>1,137</b>	<b>3</b>	<b>1,700</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>11,169</b>	<b>41</b>	<b>14,006</b>

*Source: Bank Data*

Statewide activities include loan advances made to a consortium of banks that provide multi-family affordable housing loans throughout Oregon. The bank provides a commitment of up to \$2 million to the consortium, of which the bank advanced \$1.1 million during the evaluation period. Below is a notable community development lending activity made during the evaluation period.

- In 2019, the bank provided \$11.3 million in two commercial construction/rehabilitation loans that provided new jobs in a low-income census tract in the assessment area. The project funded the rehabilitation of over 66,000 square feet of office space for a property left vacant by the departure of a national grocery store chain. This project is impactful to the community due to the complex structure, including tax credits, and the jobs created for low- and moderate-income individuals working for several small businesses who have pre-leased space in the buildings.

## **Qualified Investments**

The bank purchased one mortgage-backed security investment in 2021, which supported affordable housing. The investment, focused exclusively on mortgages made to low- and moderate-income borrowers, included eight mortgages to low- and moderate-income borrowers inside the Portland assessment area totaling \$2.9 million. The bank also provided \$6,000 in grants to a local non-profit organization that provides community services to homeless people in the Portland assessment area. Investments directly attributable to the assessment area increased from the prior evaluation, where NB made no investments located within the Portland assessment area.

## **Community Development Services**

NB officers provided 238 hours during the evaluation period, all focused on community services within the Portland assessment area. The hours provided represents a significant decrease from the 981 hours reported at the prior evaluation.

## STATE OF WASHINGTON – Full-Scope Review

CRA RATING FOR STATE OF WASHINGTON: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN WASHINGTON

NB operates one full-service branch in the Seattle assessment area, consisting of King County in Washington. This assessment area is a portion of the Seattle-Bellevue-Kent, WA MSA. Refer to the operations portion under the Description of Institution for a full discussion regarding operations and product offerings. According to the 2015 ACS, the Seattle assessment area includes 398 census tracts consisting of 20 low-income tracts, 80 moderate-income tracts, 154 middle-income tracts, 141 upper-income tracts, and 3 census tracts with no income designation.

### Economic and Demographic Data

The table on the following page shows the Seattle assessment area demographic information.

Demographic Information of the Assessment Area						
Assessment Area: Seattle						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	398	5.0	20.1	38.7	35.4	0.8
Population by Geography	2,045,756	5.1	20.5	38.0	35.9	0.4
Housing Units by Geography	871,836	4.7	19.8	38.3	36.9	0.2
Owner-Occupied Units by Geography	470,632	2.7	15.2	40.4	41.7	0.0
Occupied Rental Units by Geography	349,019	7.4	25.6	35.8	30.7	0.5
Vacant Units by Geography	52,185	5.5	22.3	36.2	35.7	0.3
Businesses by Geography	267,610	4.9	15.0	34.6	44.4	1.0
Farms by Geography	4,274	3.3	14.3	40.2	39.9	2.2
Family Distribution by Income Level	488,006	21.0	16.4	19.5	43.1	0.0
Household Distribution by Income Level	819,651	24.2	15.6	17.0	43.2	0.0
Median Family Income MSA - 42644 Seattle-Bellevue-Kent, WA		\$92,317	Median Housing Value			\$410,534
			Median Gross Rent			\$1,241
			Families Below Poverty Level			7.0%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, service industries represented the largest portion of businesses at 41.3 percent; followed by non-classifiable establishments at 22.0 percent; finance, insurance, and real estate at 10.8 percent; and retail trade 9.5 percent. In addition, 62.2 percent of area businesses have four or fewer employees, and 93.0 percent operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small.

According to Moody's Analytics as of July 31, 2022, the Seattle assessment area is in a recovery status playing catch-up. Nonfarm payrolls are growing in line with the regional average, but the overall jobs recovery is trailing. Leisure/hospitality is generating most of the net new jobs, but the industry has recouped a smaller share of pandemic-related job losses than elsewhere. Job growth in tech has somewhat slowed recently, and manufacturing payrolls are moving sideways. The top five employers in the assessment area are Amazon, Boeing Co., Microsoft Corp., University of Washington, and Providence Health & Services.

Data obtained from the U.S. Bureau of Labor and Statistics, included in the table on the following page, details that King County's unemployment rates during the evaluation period were consistently lower than the state and national average rates.

<b>Unemployment Rates</b>			
<b>County</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
King County	2.7	7.8	4.3
State of Washington	4.3	8.5	5.2
National Average	3.7	8.1	5.3

*Source: Bureau of Labor Statistics*

**Competition**

The Seattle assessment area fosters a highly competitive banking market. According to the FDIC Deposit Market share data as of June 30, 2021, 45 FDIC-insured financial institutions operated 498 offices within the Seattle assessment area. NB ranked 29<sup>th</sup> among all institutions in the Seattle assessment area, holding less than 0.1 percent of the deposit market share. Three large national financial institutions operating 220 offices and hold a majority of market shares within the assessment area.

Aggregate small business lending data for 2020 shows 224 institutions reported 66,971 small business loans in the assessment area, indicating a high degree of competition for this product. The five most prominent small business lenders accounted for 58.8 percent of the total market share.

**Community Contact**

Examiners interviewed a community contact with an organization that promotes business growth and creates jobs in underserved communities within the assessment area. The contact stated that the primary credit needs are funding for small businesses and start-ups as well as working capital lines for small businesses that are struggling with cash flows. Businesses are overleveraged and are struggling to find banking partners for debt consolidation. While financial literacy is beneficial, it is time consuming for business owners operating a business. The contact noted that many of businesses are financially constrained and wish they had been made aware of assistance program earlier.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contact and key economic and demographic data, examiners determined that small business lending; particularly small dollar business lending and financial literacy education represent a primary credit need and opportunity for the assessment area.

## SCOPE OF EVALUATION - WASHINGTON

Refer to the overall Scope of Evaluation.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN WASHINGTON

#### LENDING TEST

NB is rated Satisfactory in the Lending Test for the state of Washington. The performance under the Geographic Distribution and Borrower Profile criteria in the Seattle assessment area supports this conclusion.

#### Geographic Distribution

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the lending level exceeded demographic data in both low-income census tracts and moderate-income census tracts.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Seattle</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	4.9	3	5.9	1,555	9.7
Moderate					
2021	15.0	14	27.5	2,425	15.1
Middle					
2021	34.6	16	31.4	6,230	38.8
Upper					
2021	44.4	16	31.4	4,351	27.1
Not Available					
2021	1.0	2	3.9	1,500	9.3
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>16,061</b>	<b>100.0</b>
<small>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</small>					

#### Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Seattle assessment area. As shown in the following table, the lending to businesses with GARs of \$1 million or less significantly trailed demographic data. As previously mentioned, the bank originated a significant number of PPP loans in 2021. As SBA did not require banks to obtain revenue information for originating PPP loans, a significant majority of the small business loans



reflect revenues not available. Excluding the loans in the “Revenue Not Available” category, the bank originated 34.5 percent of its small business loans to businesses reporting GARs of \$1 million or less. While this performance is still below area demographics, it is reasonable in light of the performance context.

Although examiners do not analyze the bank’s lending performance directly against aggregate data, aggregate data can be used to determine the demand for small business loans. D&B data is a voluntary survey and not all businesses seek traditional commercial lending. The most recent aggregate data available shows that reporting institutions originated 41.3 percent of small business loans to business with GAR of \$1 million or less, which may indicate that many small businesses fund operations from non-financial institution sources. Furthermore, the bank’s presence is limited in this assessment area with only one branch operated within a heavily banked area. Given all these factors, the bank’s 2021 lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Seattle					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	89.8	10	19.6	1,992	12.4
>\$1,000,000					
2021	3.5	19	37.3	8,991	56.0
Revenue Not Available					
2021	6.6	22	43.1	5,078	31.6
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>16,061</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

## COMMUNITY DEVELOPMENT TEST

NB is rated Satisfactory in the Community Development Test for the state of Washington. NB demonstrated adequate responsiveness to the community development needs in Washington through community development loans, qualified investments, and community development services.

### Community Development Loans

NB originated one \$3.7 million community development loan in the Seattle assessment area in 2021. This performance level is significantly less than the nine community development loans totaling \$7.5 million reported at the prior evaluation. However, the \$3.7 million loan is significantly impactful as it funded the construction of 14 affordable condominium units in Seattle specifically designated for sale to low- and moderate-income families, meeting a specific community need in the Seattle assessment area.

### **Qualified Investments**

NB purchased one mortgage-backed security during the evaluation period. The investment is fully dedicated to mortgages to low- and moderate-income families, including five mortgages to families in the Seattle assessment area totaling \$1.5 million, a specific credit need identified in the Seattle assessment area. This performance level declined compared to the prior evaluation when NB made \$2.3 million in qualified investments.

### **Community Development Services**

NB officers provided 46 hours of community service serving on the Board and the Loan Committee of a community development fund that manages a \$50.0 million trust that provides economic services to low- and moderate-income areas in Seattle. The trust makes loans to qualifying small businesses, provides business development counseling, and provides job training to low- and moderate-income individuals. Although the performance level declined from the 92 hours noted at the prior evaluation, services provided during this evaluation met a specific community development need identified by a local community contact.

## **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

### **Lending Test**

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

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

### **Community Development Test**

The Community Development Test considers the following criteria:

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

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
Idaho	Satisfactory	Satisfactory	Satisfactory
Oregon	Satisfactory	Satisfactory	Satisfactory
Washington	Satisfactory	Satisfactory	Satisfactory

## GLOSSARY

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

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

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

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

**Limited-Scope Review:** A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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



**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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