

PUBLIC DISCLOSURE

June 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Fed Bank
Certificate Number: 28405

105 West 8th Street
Port Angeles, Washington 98362

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

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

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREAS	4
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	14
WASHINGTON NON-MSA – FULL-SCOPE REVIEW	15
BELLINGHAM MSA – FULL-SCOPE REVIEW	25
BREMERTON MSA – FULL-SCOPE REVIEW	35
OTHER ASSESSMENT AREA – LIMITED-SCOPE REVIEW	45
APPENDICES.....	46
LARGE BANK PERFORMANCE CRITERIA	46
SCOPE OF EVALUATION	48
SUMMARY OF RATINGS FOR RATED AREA.....	48
DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREA	49
GLOSSARY	55

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 areas (AAs), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

First Fed Bank’s (FFB) lending levels reflect good responsiveness to AA credit needs. An adequate percentage of loans are made within the bank’s AAs. The geographic distribution of loans reflects adequate penetration throughout the AAs and the distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different revenue sizes. The bank exhibits an adequate record of serving the credit needs of highly economically disadvantaged areas of the AA, low-income individuals, and very small businesses, consistent with safe and sound banking practices. The bank has made a low level of community development (CD) loans and makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs.

The Investment Test is rated Low Satisfactory.

FFB has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The bank exhibits good responsiveness to credit and CD needs and occasionally uses innovative and/or complex investments to support CD initiatives.

The Service Test is rated High Satisfactory.

Delivery systems are accessible to essentially all portions of the bank’s AAs. Services, including business hours, do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies and/or LMI individuals. The bank provides a relatively high level of CD services. FFB did not open or close any branches during the evaluation period; therefore, this criterion did not impact the overall Service Test performance conclusion.

DESCRIPTION OF INSTITUTION

FFB is a full-service community bank established in 1923 and headquartered in Port Angeles, Washington. The bank is wholly-owned by First Northwest Bancorp, a one-bank holding company also headquartered in Port Angeles, Washington. FFB has an affiliate, First Fed Community Foundation (FFCF), which was created to benefit the communities in which the bank operates through charitable grants and donations. This evaluation reflects the activities of both FFB and FFCF. The bank received a CRA rating of “Satisfactory” at the previous FDIC performance evaluation, dated March 21, 2022, using Interagency Intermediate Small Institution Examination Procedures.

The institution operates 12 full-service and 2 limited-service branch offices throughout northwestern Washington. No branch changes or merger or acquisition activity have occurred since the previous evaluation. The bank offers traditional home mortgage, commercial, and consumer loan products. Deposit services include business and consumer checking accounts, savings accounts, certificates of deposit, and individual retirement accounts.

FFB’s assets totaled \$2.2 billion and deposits totaled \$1.7 billion as of March 31, 2024. Additionally, the bank’s loans totaled \$1.7 billion and securities totaled \$326.0 million. Total assets increased 15.8 percent, loans increased 25.0 percent, and deposits increased 4.3 percent over the review period.

As illustrated in the following table, real estate secured loans account for 77.7 percent of the bank’s loan portfolio, with residential real estate constituting the majority of all loans at 48.0 percent. The bank originated 135 home mortgage loans for \$49.7 million that were sold on the secondary market since the previous evaluation, and these loans are not reflected in Consolidated Reports of Condition and Income data.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	125,421	7.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	480,678	28.1
Secured by Multifamily (5 or more) Residential Properties	339,902	19.9
Secured by Nonfarm Nonresidential Properties	381,271	22.3
Total Real Estate Loans	1,327,272	77.7
Commercial and Industrial Loans	86,734	5.1
Agricultural Production and Other Loans to Farmers	10,245	0.6
Consumer Loans	268,692	15.7
Obligations of State and Political Subdivisions in the U.S.	405	0.1
Other Loans	15,269	0.9
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(711)	(0.1)
Total Loans	1,707,906	100.0
<i>Source: Consolidated Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

FFB delineated four AAs in the State of Washington, which represents one rated area in this evaluation. Each AA contains full counties and the AAs have not changed since the previous evaluation. The four AAs are summarized in the following table in the order in which they are presented in this report. Refer to the individual AAs for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Washington Non-MSA	Clallam, Jefferson	36	8
Bellingham MSA	Whatcom	54	3
Bremerton MSA	Kitsap	60	2
Seattle MSA	King	495	1
Total	5	645	14

Source: Bank Data

SCOPE OF EVALUATION

General Information

Examiners evaluated FFB’s CRA performance using the Interagency Large Institution Examination Procedures. This evaluation covers the period from the prior evaluation, dated March 21, 2022, to the current evaluation, dated June 18, 2024. Examiners conducted full-scope evaluations of the Washington Non-MSA, Bellingham MSA, and Bremerton MSA AAs. As detailed in the following table, a majority of the bank’s lending activity, deposits, and branches are within the Washington Non-MSA AA; therefore, the bank’s performance in the Washington Non-MSA AA received the greatest weight in determining overall conclusions, followed by the Bellingham MSA and Bremerton MSA AAs. Due to limited activity based on the same factors, FFB’s performance in the Seattle MSA AA contributed significantly less weight to the overall conclusions.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	#	%	\$(000s)	%	#	%
Washington Non-MSA	515	62.5	1,354,766	81.6	8	57.1
Bellingham MSA	132	16.0	129,325	7.8	3	21.4
Bremerton MSA	81	9.8	133,148	8.0	2	14.3
Seattle MSA	96	11.7	43,356	2.6	1	7.2
Total	824	100.0	1,660,595	100.0	14	100.0

Source: 2022 and 2023 Reported Loans; FDIC Summary of Deposits (6/30/2023); Bank Records

Activities Reviewed

Considering FFB’s business strategy, loan portfolio composition, and lending activity during the evaluation period, examiners determined that the bank’s primary product lines are home mortgage and small business loans. The number and dollar amount of small farm lending was nominal and bank management did not request the inclusion of consumer loans as part of this evaluation; therefore, small farm and consumer loans were excluded from the analysis.

For the Lending Test, examiners reviewed the universe of home mortgage and small business loans originated and purchased between January 1, 2022, and December 31, 2023, as reported pursuant to the HMDA and CRA. Based on the number and dollar volume of loans originated, examiners placed greater weight on the bank’s home mortgage lending performance when arriving at Lending Test conclusions, followed by small business lending. The following table details the loans included in the scope of the evaluation.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	1,199	568,006	1,199	568,006
Small Business	382	86,019	382	86,019
Small Farm	10	2,868	-	-
Total	1,591	656,893	1,581	654,025
<i>Source: 2022 and 2023 Reported Loans</i>				

Examiners compared FFB’s lending performance to aggregate performance of other HMDA and CRA reporting lenders within each AA in 2022. Aggregate data for 2023 was not available at the time of this evaluation. The bank’s lending performance was also compared to applicable demographic data. Demographic comparisons in 2022 and 2023 are based on 2020 U.S. Census data. Demographic comparisons for small business lending are based on annual D&B survey data. Greater weight is given to lending performance compared to aggregate data than demographic data, as aggregate data is a better indicator of actual credit demand. Additionally, while the evaluation presents the number and dollar volume of loans, examiners emphasize performance by number of loans, which better reflects the number of individuals and businesses served.

The evaluation of FFB’s CD loans, investments, and services includes all qualified activities since the previous evaluation, dated March 21, 2022, through June 18, 2024. Examiners evaluated the institution’s CD activities quantitatively based on the bank’s financial capacity, as well as qualitatively based upon the impact of those activities on the bank’s AAs.

The evaluation of CD investments includes both new and prior period investments with outstanding balances at the time of this evaluation. Along with the CD grants and donations made directly by FFB, bank management also requested consideration of relevant grants made via FFCF. The bank created and funded the FFCF in January 2015 with a mission to provide community benefit, facilitate economic development, and enhance availability of affordable housing. Therefore, the qualified donation totals throughout this evaluation include the activity of FFCF as applicable and relevant.

In addition to CD services, the Service Test considered alternative delivery systems for providing retail banking services, the impact of branch openings and closings during the evaluation period, and review of retail banking products and services targeted toward LMI individuals or small businesses and/or services targeted to AA needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated “Low Satisfactory.” The bank’s performance was generally consistent in each of the four AAs. Performance in the Washington Non-MSA, Bremerton MSA, and Seattle MSA AAs support this conclusion, while performance in the Bellingham MSA AA was below the overall conclusion.

Lending Activity

FFB’s lending levels reflect adequate responsiveness to AA credit needs. Lending trends for the products reviewed were consistent across the AAs; refer to each respective AA for details. During the current 2-year review period, the bank originated 1,199 home mortgage loans totaling \$568.0 million and 382 small business loans totaling \$86.0 million. In the previous evaluation, FFB originated 2,771 home mortgage loans totaling \$1.3 billion over the 3-year review period. The bank was not required to collect or report small business data at the previous examination, and one year’s worth of lending data was analyzed. At the prior examination, the bank originated 533 small business loans totaling \$66.5 million. The declines in annual home mortgage and small business lending levels from the previous evaluation are due to the higher interest rate environment, which reduced the number of requests for home mortgage refinances and small business loan renewals. Additional information regarding the institution’s market share ranking for each product type is included in each individual analysis.

Assessment Area Concentration

FFB made an adequate percentage of loans in the bank’s AAs. As detailed in the following table, the bank originated a slight majority of total home mortgage and small business loans in its AAs by number and dollar volume.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$(000s)	%	\$(000s)	%		
Home Mortgage											
2022	369	54.2	312	45.8	681	229,606	57.9	166,938	42.1	396,544	
2023	313	60.4	205	39.6	518	101,819	59.4	69,643	40.6	171,462	
Subtotal	682	56.9	517	43.1	1,199	331,425	58.3	236,581	41.7	568,006	
Small Business											
2022	78	54.9	64	45.1	142	27,687	67.8	13,159	32.2	40,846	
2023	59	24.6	181	75.4	240	18,815	41.7	26,358	58.3	45,173	
Subtotal	137	35.9	245	64.1	382	46,502	54.1	39,517	45.9	86,019	
Total	819	51.8	762	48.2	1,581	377,927	57.8	276,098	42.2	654,025	
<i>Source: Bank Data</i>											

Geographic Distribution

FFB’s geographic distribution of loans reflects adequate penetration throughout the AAs. The bank’s performance was consistent across the AAs. Refer to each specific AA analysis for additional details.

Borrower Profile

The bank’s distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different revenue sizes. The bank’s performance was not consistent in each AA. Additional details are included in the analyses for the respective AAs.

Innovative or Flexible Lending Practices

FFB makes limited use of innovative or flexible lending practices in order to serve the AA’s credit needs. The bank participated in 88 innovative or flexible loans totaling \$16.1 million during the evaluation period. A comparison to the bank’s prior performance is not available since this evaluation is the first time for FFB to be evaluated under the Interagency Large Institution Examination Procedures and this criterion was not part of the previous examination factors. The following table illustrates the bank’s innovative or flexible lending programs over the review period. With the exception of USDA loans, the programs and products are applicable to operations throughout the institution’s AAs and are not presented separately within each AA analysis.

Innovative or Flexible Lending Programs								
Loan Program	Partial 2022		2023		YTD 2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA Loans	8	8,625	1	724	-	-	9	9,349
VA Loans	1	342	5	1,971	3	1,175	9	3,488
USDA Loans	4	1,194	-	-	-	-	4	1,194
Home Possible Loans	-	-	-	-	4	1,169	4	1,169
Credit Builder/Savings Secured Loans	24	151	26	349	10	38	60	538
HFA Advantage Loan	-	-	1	375	-	-	1	375
WSHFC Loan	1	15	-	-	-	-	1	15
Totals	38	10,327	33	3,419	17	2,382	88	16,128
<i>Source: Bank Data</i>								

The following are examples of notable innovative or flexible lending programs employed during the evaluation period:

- ***Small Business Administration (SBA) Loans*** – SBA loans are government-backed instruments with less stringent credit standards and lower down payments than conventional loans. Repayment terms may also be longer than traditional loans. These loans can help cover start-up costs, working capital needs, expansions, and real estate purchases for small businesses.
- ***Veterans Affairs (VA) Loans*** – VA loans are offered by the U.S. Department of Veterans Affairs and are issued by private lenders to help returning service members purchase homes with the flexibility of not needing a down payment or excellent credit for qualification.
- ***United States Department of Agriculture (USDA) Loans*** – USDA loans provide LMI households the opportunity to own adequate, modest, decent, safe, and sanitary dwellings as their primary residence in eligible rural areas. Qualifying applicants may purchase, build, rehabilitate, improve, or relocate a dwelling with 100 percent financing and zero down payment. This product is only available in eligible rural areas and private mortgage insurance is not required.
- ***Credit Builder/Savings Secured Loans*** – Credit Builder/Savings Secured loans were designed to help individuals establish or build credit and increase the buying and borrower power of consumers. The bank lends the funds with no credit score requirements in a certificate of deposit, which secures the loan until maturity. At the end of the loan term, the certificate of deposit is released to the borrower with full access to the funds.

Community Development Loans

FFB has made a low level of CD loans throughout the AA. During the evaluation period, the bank originated 22 CD loans totaling \$49.2 million. This level of activity represents 2.3 percent of

average total assets and 3.1 percent of average total loans. All CD lending metrics decreased since the previous evaluation when the bank originated 46 CD loans totaling \$53.0 million, which represented 3.5 percent of average total assets and 4.9 percent of average total loans. The bank’s level of CD lending as a percentage of average total assets and average total loans compares unfavorably to similarly-situated institutions.

FFB’s CD loans primarily targeted the Washington Non-MSA and Seattle MSA AAs. Qualified CD activities primarily supported affordable housing and revitalization or stabilization efforts, which were identified as CD needs; refer to each respective analysis for details. The following table details the bank’s CD loans by AA and CD purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Washington Non-MSA	1	17	3	3,675	1	125	2	20,600	7	24,417
Bellingham MSA	1	14	-	-	-	-	-	-	1	14
Bremerton MSA	1	6,300	-	-	-	-	-	-	1	6,300
Seattle MSA	3	11,952	1	61	1	1,110	-	-	5	13,123
Regional Activities	5	52	1	54	2	5,280	-	-	8	5,386
Total	11	18,335	5	3,790	4	6,515	2	20,600	22	49,240
<i>Source: Bank Data</i>										

The following are examples of qualified CD loans benefitting a larger regional area that includes the institution’s AAs:

- In 2022, FFB supported economic development by originating a loan totaling \$4.0 million to an organization that provides important services within and outside the institution’s AAs. The loan will allow the small business to further expand operations by creating 5 new jobs while retaining 13 positions.
- In 2022, the institution funded a \$1.3 million loan to a small business for start-up and operations costs within FFB’s broader regional area. The loan will create two new positions and retain four employees in the lumber industry.

INVESTMENT TEST

The Investment Test is rated “Low Satisfactory.” Performance in the Washington Non-MSA and Bremerton MSA, and Seattle MSA AAs support this conclusion, while performance in the Bellingham MSA AA was below the overall conclusion.

Investment and Grant Activity

FFB has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. For this evaluation, the bank made or held 234 investments and donations totaling \$15.9 million. This activity represents 0.8 percent of average total assets and 4.8 percent of average total securities. This performance is higher than the volume of CD investments at the previous evaluation, when FFB made or held 126 investments totaling \$14.3 million, and the percentages were 0.8 percent and 3.9 percent, respectively. The bank’s level of activity is consistent with similarly-situated institutions that provided an adequate level of CD qualified investments and grants to the AAs.

Prior period investments retained across the rated areas totaled \$1.5 million. Of the total new qualified investments, \$2.5 million were made in 2022, \$759,000 were made in 2023, and \$6.7 million were made in 2024. The following table details the bank’s qualified investments and grants by AA and CD purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	958	1	105	-	-	1	403	3	1,466
Washington Non-MSA	-	-	1	1,850	2	1,000	-	-	3	2,850
Bellingham MSA	-	-	-	-	-	-	-	-	-	-
Bremerton MSA	3	2,336	-	-	-	-	-	-	3	2,336
Seattle MSA	2	4,742	-	-	-	-	-	-	2	4,742
Regional	-	-	1	1,701	-	-	-	-	1	1,701
Nationwide	-	-	-	-	2	281	-	-	2	281
Subtotal	6	8,036	3	3,656	4	1,281	1	403	14	13,376
Qualified Grants & Donations	21	484	167	1,000	9	471	23	522	220	2,477
Total	27	8,520	170	4,656	13	1,752	24	925	234	15,853

Source: Bank Data

As demonstrated in the above table, the bank made a regional investment that benefitted multiple AAs, as well as two national investments that benefitted the Washington, D.C., metropolitan area. The national investments were both investments in a SBIC that supports economic development by providing funds and assistance to early and growth-stage financial service technology companies.

Responsiveness to Credit and Community Development Needs

FFB exhibits good responsiveness to credit and CD needs. The investment strategy during the evaluation period primarily targeted affordable housing initiatives, a CD need identified throughout the institution’s AAs, especially in the Seattle MSA AA. In addition, each of the institution’s AAs

received the benefit of at least some investment and/or grant activity. Refer to each individual full-scope analysis for specific details.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support CD initiatives. Examples of innovative or complex investment activity include two equity equivalent (EQ2) investments totaling \$1.0 million made during the review period. EQ2s are long-term, fully subordinated debt instruments for nonprofit CDFIs. Such investments require more bank resources and expertise to purchase than less complex instruments, such as mortgage-backed securities.

SERVICE TEST

The Service Test is rated “High Satisfactory.” Performance in the Washington Non-MSA and Bellingham MSA AAs are consistent with this conclusion, while performance in the Bremerton MSA and Seattle MSA AAs were below the overall conclusion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution’s AAs. FFB operates 12 full-service branches throughout its AAs with 5 locations in moderate-income geographies and 3 locations in middle-income geographies. Each branch has a 24-hour deposit-taking ATM onsite, and of the 12 branches, 10 branches also have Interactive Teller Machine (ITM) services available Monday through Friday, 8:00 a.m. to 6:00 p.m., and Saturday, 9:00 a.m. to 1:00 p.m. Branch and ATM distribution varies slightly between the AAs; refer to each respective analysis for details. Alternative systems for delivering retail banking services improve accessibility to FFB’s products and services in all geographies. Alternative delivery systems include 24-hour telephone banking, online banking, bill pay services, and mobile banking, which include mobile deposit capabilities.

Changes in Branch Locations

FFB did not open or close any branches during the evaluation period; therefore, this criterion did not impact the overall Service Test performance conclusion. As a result, this criterion is not included in the individual AA analysis.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies and/or individuals. Business hours vary slightly by branch; however, most branches offer lobby and drive-up hours of 9:00 a.m. to 5:00 p.m. Monday to Friday. Some branches offer limited drive-up availability on Saturdays; refer to each AA analysis for details. The bank offers a broad range of deposit and lending products to meet the needs of its AAs, including deposit products such as consumer and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. Loan products include home mortgage loans, home equity lines of credit, construction loans, commercial loans and lines of credit,

agriculture loans, and secured and unsecured consumer loans. All branches offer the same products and services.

Community Development Services

FFB provides a relatively high level of CD services. Bank staff provided 1,852 hours of qualified CD service activities to 50 different organizations over the evaluation period. This level of activity represents 7.0 hours of CD service per full-time equivalent (FTE) employee. This performance is a significant increase from the previous evaluation, when the bank provided 3.6 hours of CD service per FTE employee. The bank’s performance compares favorably to similarly situated institutions, which provided CD service hours per FTE employee ranging from 4.8 hours to 7.6 hours.

The COVID-19 pandemic significantly decreased the level of service hours that the bank and peer institutions were able to provide in the review period. Although some of the increase in service hours since the previous evaluation can be attributed to the end of pandemic restrictions, the level of service activity provided by FFB significantly exceeds pre-pandemic activity levels. The following table illustrates the bank’s CD services by AA and CD purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Washington Non-MSA	289	710	33	107	1,139
Bellingham MSA	33	320	-	-	353
Bremerton MSA	-	152	-	63	215
Seattle MSA	54	37	-	-	91
Statewide	-	34	-	-	34
Regional	-	20	-	-	20
Total	376	1,273	33	170	1,852
<i>Source: Bank Data</i>					

The following are notable examples of CD services benefitting a broader statewide or regional area:

- In 2024, 4 employees provided a total of 20 service hours delivering financial education through Financial Beginnings of Washington, primarily benefitting LMI individuals and families in the regional area.
- In 2023, 3 employees provided a total of 34 service hours representing FFB at a Bank-On Washington event. Employees helped to build partnerships with other institutions and develop better financial education services throughout the broader statewide area, particularly impacting LMI families.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

WASHINGTON NON-MSA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WASHINGTON NON-MSA

FFB operates six full-service and two limited-service branches in the Washington Non-MSA AA, including its corporate headquarters. The AA consists of two contiguous counties, Clallam and Jefferson, located in the northwestern portion of Washington.

Economic and Demographic Data

Based on 2020 U.S. Census data, the Washington Non-MSA AA consists of 36 geographies, with no low-income, 5 moderate-income, 22 middle-income, 7 upper-income, and 2 non-designated census tracts (CT). In addition, all 22 middle-income tracts were designated as distressed geographies over the review period due to high rates of unemployment. The following table provides select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Washington Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	13.9	61.1	19.4	5.6
Population by Geography	110,132	0.0	16.7	61.3	22.0	0.0
Housing Units by Geography	56,161	0.0	16.7	61.1	22.2	0.0
Owner-Occupied Units by Geography	35,353	0.0	15.4	60.3	24.3	0.0
Occupied Rental Units by Geography	12,895	0.0	23.3	60.6	16.1	0.0
Vacant Units by Geography	7,913	0.0	11.7	65.6	22.7	0.0
Businesses by Geography	13,640	0.0	23.0	54.3	22.7	0.0
Farms by Geography	594	0.0	15.7	57.4	26.9	0.0
Family Distribution by Income Level	29,756	18.8	19.6	20.5	41.1	0.0
Household Distribution by Income Level	48,248	24.3	16.0	18.2	41.5	0.0
Median Family Income Non-MSAs - WA		\$70,452	Median Housing Value			\$297,272
			Median Gross Rent			\$989
			Families Below Poverty Level			8.6%
<small>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

Based on 2020 U.S. Census data, a total of 56,161 housing units are in the AA. Of these units, 62.9 percent are owner-occupied, 23.0 percent are occupied rental units, and 14.1 percent are vacant. The

median housing value of \$297,272 reflects a moderately priced area. According to 2023 D&B data, a total of 13,640 businesses and 594 farms are based in the AA.

Clallam County

According to the 2020 U.S. Census data, the population in the county is 77,155 persons. The county is located in the northwestern corner of the State of Washington. The county seat is Port Angeles, which is also the largest city in the county. Clallam County contains 25 CTs. The principal economic industries in Clallam County are health care and social assistance, retail trade, and accommodation and food services. The top employer in the county is Olympic Medical Center.

Jefferson County

According to the 2020 U.S. Census data, the population in the county is 32,977 persons. The county is located on the western edge of the State of Washington. The county seat is Port Townsend, which is also the only incorporated city in the county. Jefferson County contains 11 CTs. The principal economic industries in Jefferson County are health care and social assistance, retail trade, and construction. The top employer in the county is Jefferson Healthcare, which operates Jefferson Healthcare Hospital.

As illustrated in the following table, average annual unemployment rates in the two counties in the AA were consistently higher than the State of Washington, which was also higher than the national average over the review period.

Unemployment Rates		
Area	2022	2023
	%	%
Clallam County	5.7	5.3
Jefferson County	5.3	5.0
State of Washington	4.1	4.1
National Average	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>		

Competition

The Washington Non-MSA AA has a moderate level of competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 10 FDIC-insured institutions share \$3.6 billion in total deposits inside the AA. Of these institutions, FFB ranks 1st in deposit market share, holding 37.4 percent of the AA’s deposits.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and CD needs of the community. This information helps determine what credit

and CD opportunities are available and whether local financial institutions are responsive to those needs.

Examiners spoke with an executive director of a non-profit organization that operates in the Washington Non-MSA AA. The contact explained that the area is slowly recovering from the negative economic impacts of the global COVID-19 pandemic. The contact identified the primary credit need in the local area as residential loans for new constructions and purchases. The contact stated that due to the housing shortage, many individuals come to the organization with difficulty finding affordable homes to buy or rent, especially LMI families. According to the contact, opportunities exist for financial institutions to support economic development and revitalization or stabilization efforts, especially in the downtown sector.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the primary credit needs in the AA are residential real estate loans and small business loans. Primary CD needs are economic development, revitalization or stabilization, and community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WASHINGTON NON-MSA

LENDING TEST

FFB's Lending Test performance in the Washington Non-MSA AA is adequate.

Lending Activity

FFB's lending levels reflect good responsiveness to AA credit needs. During the review period, the bank originated 433 home mortgage loans totaling \$107.2 million in the AA. Aggregate HMDA data for 2022 shows a total of 5,150 home mortgage loans were originated or purchased by 295 lenders in the AA. FFB ranked 1st among this group with 7.3 percent of the total market share.

Over the review period, the bank originated 79 small business loans totaling \$27.1 million in the AA. Aggregate CRA data for 2022 shows a total of 2,177 small business loans were originated or purchased by 49 lenders in the AA. Of this group, FFB ranked 10th, with 2.2 percent of the total market share.

Geographic Distribution

The bank's geographic distribution of loans reflects adequate penetration throughout the AA. Adequate home mortgage performance and good small business performance support this conclusion. The AA does not include any low-income geographies; therefore, examiners relied on the bank's performance in moderate-income tracts to form conclusions.

Home Mortgage

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. The bank's lending in moderate-income tracts exceeded both demographic data and aggregate performance in 2022 and declined in 2023. Aggregate data for 2023 was not available at the time of this evaluation.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Washington Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Moderate						
2022	15.4	14.8	38	16.5	12,937	18.9
2023	15.4	--	22	10.9	4,647	12.0
Middle						
2022	60.3	62.0	146	63.2	41,175	60.1
2023	60.3	--	138	68.3	24,799	64.2
Upper						
2022	24.3	23.2	47	20.3	14,396	21.0
2023	24.3	--	42	20.8	9,200	23.8
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	231	100.0	68,508	100.0
2023	100.0	--	202	100.0	38,646	100.0
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The geographic distribution of small business loans reflects good penetration throughout the AA. Lending within moderate-income geographies was significantly above both demographic data and aggregate performance in 2022. The bank's lending performance declined in 2023 but remained above the percentage of businesses located in moderate-income tracts.

Geographic Distribution of Small Business Loans						
Assessment Area: Washington Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Moderate						
2022	23.5	24.9	19	41.3	8,045	46.9
2023	23.0	--	9	27.3	3,285	33.2
Middle						
2022	53.6	51.6	18	39.1	6,380	37.2
2023	54.3	--	22	66.7	5,845	59.2
Upper						
2022	22.9	23.6	9	19.6	2,746	16.0
2023	22.7	--	2	6.1	750	7.6
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	46	100.0	17,171	100.0
2023	100.0	--	33	100.0	9,880	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different revenue sizes. Adequate home mortgage and adequate small business lending performance support this conclusion.

Home Mortgage

In 2022, FFB's lending to low-income borrowers was slightly below aggregate performance, but not to an unreasonable degree. The rate of lending to low-income borrowers increased in 2023. In 2022, the bank's record of lending to moderate-income borrowers was in-line with aggregate performance. The bank's performance decreased slightly in 2023. Overall, the distribution of borrowers reflects adequate penetration to LMI borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Washington Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	18.8	5.8	7	3.0	506	0.7
2023	18.8	--	11	5.4	634	1.6
Moderate						
2022	19.6	16.2	37	16.0	5,243	7.7
2023	19.6	--	28	13.9	2,199	5.7
Middle						
2022	20.5	22.6	57	24.7	9,621	14.0
2023	20.5	--	62	30.7	9,229	23.9
Upper						
2022	41.1	45.6	121	52.4	48,293	70.5
2023	41.1	--	93	46.0	25,087	64.9
Not Available						
2022	0.0	9.8	9	3.9	4,845	7.1
2023	0.0	--	8	4.0	1,497	3.9
Totals						
2022	100.0	100.0	231	100.0	68,508	100.0
2023	100.0	--	202	100.0	38,646	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of borrowers reflects adequate penetration to businesses with gross annual revenues (GARs) of \$1 million or less. The institution's lending to small businesses was comparable to aggregate performance in 2022 but trailed demographic data. However, the percentage of the AA's businesses that reported revenues of \$1 million or less included all small businesses, not just those businesses that sought traditional commercial financing. Therefore, actual small business lending opportunities tend to significantly fall below demographic data. Aggregate lending tends to be a better indicator of loan demand. The bank's performance registered a notable decline in the following year.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Washington Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	92.0	56.6	25	54.3	6,147	35.8
2023	92.1	--	13	39.4	2,363	23.9
>\$1,000,000						
2022	2.0	--	21	45.7	11,024	64.2
2023	2.0	--	20	60.6	7,517	76.1
Revenue Not Available						
2022	6.0	--	0	0.0	0	0.0
2023	5.9	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	46	100.0	17,171	100.0
2023	100.0	--	33	100.0	9,880	100.0

*Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Community Development Loans

FFB made an adequate level of CD loans throughout the Washington Non-MSA AA. CD lending decreased by number and dollar volume from the previous evaluation, where 29 CD loans totaling \$26.5 million targeted the AA. The decline is attributable to a shorter review period and the conclusion of the SBA’s Payment Protection Program. The majority of lending activity supported revitalization or stabilization initiatives, demonstrating responsiveness to an identified CD credit need in the AA. The following table details the bank’s CD lending activity by year and CD category.

Community Development Lending – Washington Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2022	-	-	1	350	-	-	1	10,000	2	10,350
2023	1	17	2	3,325	1	125	1	10,600	5	14,067
YTD 2024	-	-	-	-	-	-	-	-	-	-
Total	1	17	3	3,675	1	125	2	20,600	7	24,417

Source: Bank Data

Notable examples of FFB’s CD loans in the Washington Non-MSA AA include:

- In 2023, FFB originated a \$3.0 million loan for a medical center to provide essential healthcare services in the AA. The loan directly supports local patients, most of whom are LMI individuals and families.
- In 2023, the institution funded a \$10.6 million loan to build an event center that will serve as an anchor to help revitalize or stabilize a distressed geography in the AA. The downtown event center is projected to generate numerous permanent jobs.

INVESTMENT TEST

The bank’s Investment Test performance in the Washington Non-MSA AA is adequate.

Investment and Grant Activity

FFB has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. During the evaluation period, FFB made \$2.9 million in new investments, held approximately \$508,000 in prior period investments, and provided \$1.4 million in donations that directly benefitted the AA. This level of CD activity is a decrease from the previous evaluation, where qualified investments and donations totaled \$6.4 million. The decline is attributable to the shorter evaluation period. The following table details the qualified investment and grant activity by year and CD purpose.

Qualified Investments – Washington Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	1	105	-	-	1	403	2	508
Partial 2022	-	-	-	-	1	500	-	-	1	500
2023	-	-	-	-	1	500	-	-	1	500
YTD 2024	-	-	1	1,850	-	-	-	-	1	1,850
Subtotal	-	-	2	1,955	2	1,000	1	403	5	3,358
Qualified Grants & Donations	7	54	87	507	5	351	17	470	116	1,382
Total	7	54	89	2,462	7	1,351	18	873	121	4,740

Source: Bank Data

The following are notable examples of qualified CD investments or grants made within the AA over the evaluation period:

- In 2022 and 2023, the bank supported economic development in the AA by investing \$500,000 each year in a non-profit CDFI lender to fund projects that target the Port Angeles area.

- Starting in late 2023, FFB began donating office space valued at approximately \$30,000 per year to a local economic development council that provides technical assistance and facilitates loans and grants to small businesses in Clallam County.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and CD needs. The institution targeted the Washington Non-MSA AA for a large part of the investment activity during the evaluation period. This strategy primarily supports community service efforts in the bank’s AA and is in alignment with identified CD credit needs.

Community Development Initiatives

FFB occasionally uses innovative and/or complex investments to support CD initiatives. Refer to the institution-level Investment Test summary for additional detail.

SERVICE TEST

FFB’s Service Test performance in the Washington Non-MSA AA is good.

Accessibility of Delivery Systems

Overall, delivery systems are accessible to essentially all portions of the institution’s AA. This AA has no low-income geographies. At 50.0 percent, FFB’s distribution of branches in moderate-income CTs compares favorably to area demographics and is in-line with the 50.0 percent of branches operated in these geographies by all area institutions, according to 2023 peer branch and deposit data. All branches offer 24-hour deposit-taking ATMs onsite. The following table details the bank’s distribution of branches in the AA by CT income level.

Branch Distribution by Geography Income Level – Washington Non-MSA						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	-	-	-	-	-	-
Moderate	5	13.9	18,371	16.7	3	50.0
Middle	22	61.1	67,512	61.3	2	33.3
Upper	7	19.4	24,249	22.0	1	16.7
NA	2	5.6	-	-	-	-
Total	36	100.0	110,132	100.0	6	100.0

Source: 2020 U.S. Census Data; Bank Data

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Hours and services are generally consistent

with those hours and services discussed at the institution level. Two branches offer Saturday drive-up hours from 9:00 a.m. to 1:00 p.m.; the Port Angeles Eastside branch and the Sequim Village Marketplace branch. The Forks, Sequim Avenue, and Port Townsend branches are located in moderate-income CTs. All branches have 24-hour deposit-taking ATM access, and all but the Sixth Street and Sequim Village Marketplace branches have ITM service as well. All branches offer drive-up banking, with the Sequim Village Marketplace and Eastside branches offering drive-up banking from 9:00 a.m. to 1:00 p.m. on Saturdays.

Community Development Services

FFB provides a relatively high level of CD services. During the evaluation period, bank staff provided 1,139 hours of qualified CD services benefitting the Washington Non-MSA AA. Total CD service hours increased 159.4 percent from the previous evaluation, when employees provided 439 hours of service. Service hours were limited during the prior evaluation due to the impact of the global pandemic. Performance in the current review period represents a return to pre-pandemic levels. Most CD service hours supported community services targeted to LMI individuals. The following table illustrates the bank’s CD services by year and CD purpose.

Community Development Services – Washington Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2022	53	161	21	21	256
2023	140	406	10	66	622
YTD 2024	96	143	2	20	261
Total	289	710	33	107	1,139
<i>Source: Bank Data</i>					

The following are notable examples of CD services provided by bank employees over the evaluation period:

- In 2023 and 2024, a total of 7 employees provided 166 hours of CD service to an organization dedicated to providing affordable housing to LMI families through board service as well as assistance in fundraising activities.
- In 2023 and 2024, a total of 21 employees provided 178 hours of CD service by preparing and teaching financial education courses targeted to LMI attendees.

BELLINGHAM MSA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BELLINGHAM MSA

FFB operates 3 full-service branches in the Bellingham MSA AA, which is located in the northwest corner of Washington. The AA consists of Whatcom County, which comprises the Bellingham MSA in its entirety.

Economic and Demographic Data

According to 2020 U.S. Census data, the AA consists of 54 geographies, which include 1 low-income, 12 moderate-income, 26 middle-income, 14 upper-income, and 1 tract with no income designation. The following table provides select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Bellingham MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	54	1.9	22.2	48.1	25.9	1.9
Population by Geography	226,847	0.9	21.5	52.8	23.0	1.9
Housing Units by Geography	98,000	1.4	20.8	50.2	25.7	2.0
Owner-Occupied Units by Geography	55,361	0.1	14.6	54.9	29.2	1.2
Occupied Rental Units by Geography	33,617	3.6	28.6	47.3	17.0	3.6
Vacant Units by Geography	9,022	0.3	30.4	32.0	36.4	0.9
Businesses by Geography	34,099	4.9	14.4	53.2	25.2	2.3
Farms by Geography	1,462	0.5	10.3	60.3	27.4	1.4
Family Distribution by Income Level	53,699	19.0	18.9	23.2	38.9	0.0
Household Distribution by Income Level	88,978	23.9	15.7	18.7	41.7	0.0
Median Family Income MSA -#13380 Bellingham, WA MSA	\$83,751	Median Housing Value				\$364,713
		Median Gross Rent				\$1,124
		Families Below Poverty Level				7.3%

*Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

Based on 2020 U.S. Census data, a total of 98,000 housing units are in the AA. Of these units, 56.5 percent are owner-occupied, 34.3 percent are occupied rental units, and 9.2 percent are vacant. The median housing value of \$364,713 reflects a moderately priced area. According to 2023 D&B data, a total of 34,099 businesses and 1,462 farms are based in the AA.

According to Moody’s Analytics as of June 2024, the largest employment sectors in the AA are government, education and health services, followed by retail trade. The top three employers in the Bellingham MSA are St. Joseph Hospital, Western Washington University, and Lummi Nation. One major economic strength is that the Bellingham MSA has a diverse manufacturing industry with high-value investments in renewables.

As illustrated in the following table, the average annual unemployment rate in Whatcom County was slightly higher than the State of Washington and the national average over the review period.

Unemployment Rates		
Area	2022	2023
	%	%
Whatcom County	4.7	4.3
State of Washington	4.1	4.1
National Average	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>		

Competition

The Bellingham MSA AA has a moderate level of competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 13 FDIC-insured institutions share \$5.1 billion in total deposits inside the AA. Of these institutions, FFB ranks 12th in deposit market share, holding 2.5 percent of the AA’s deposits.

Community Contact

Examiners used information from a recently interviewed community contact. The development specialist of a local government agency described the current economic conditions as strong, but housing and childcare continue to be challenges in the area. The contact noted that apartments are being built, but the current housing stock is limited and this factor is also having an impact on business attraction, retention, and recruitment because people cannot afford to live in the community. The contact noted that local businesses are doing well, and credit needs, including those of small businesses, are largely being met.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the primary credit need in the AA is affordable housing. CD needs in the AA include affordable housing and revitalization and/or stabilization to attract new and retain existing residents and businesses in LMI areas. There is also a need for community services targeted to LMI individuals, such as affordable childcare.

CONCLUSIONS ON PERFORMANCE CRITERIA IN BELLINGHAM MSA

LENDING TEST

FFB's Lending Test performance in the Bellingham MSA AA is adequate.

Lending Activity

FFB's lending levels reflect adequate responsiveness to AA credit needs. During the review period, the bank originated 113 home mortgage loans totaling \$66.8 million. Aggregate HMDA data for 2022 shows a total of 10,737 home mortgage loans were originated by 376 lenders in the AA. FFB ranked 33rd among this group, with 0.7 percent of the total market share.

Over the review period, the bank originated 19 small business loans totaling \$4.8 million. Aggregate CRA data from 2022 shows a total of 5,597 small business loans originated by 67 lenders in the AA. FFB ranked 30th among this group with 0.2 percent of the total market share.

Geographic Distribution

The bank's geographic distribution of loans reflects adequate penetration throughout the AA. This conclusion is supported by adequate performance in both home mortgage and small business lending.

Home Mortgage

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. The bank made no loans in low-income CTs in 2022 or 2023; however, there is only one low-income geography in the AA and lending opportunities and demand are extremely limited, as evidenced by demographic and aggregate lending data. In 2022, the bank's lending in moderate-income tracts was significantly higher than demographic data and the rate achieved by aggregate lenders. FFB's performance trended downward in 2023 to below the demographic level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Bellingham MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.1	0.1	0	0.0	0	0.0
2023	0.1	--	0	0.0	0	0.0
Moderate						
2022	14.6	16.5	10	24.4	25,308	59.7
2023	14.6	--	8	11.1	3,376	13.8
Middle						
2022	54.9	56.8	23	56.1	12,004	28.3
2023	54.9	--	38	52.8	12,038	49.3
Upper						
2022	29.2	25.4	8	19.5	5,048	11.9
2023	29.2	--	26	36.1	8,987	36.8
Not Available						
2022	1.2	1.1	0	0.0	0	0.0
2023	1.2	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	41	100.0	42,360	100.0
2023	100.0	--	72	100.0	24,401	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The geographic distribution of small business loans reflects adequate penetration throughout the AA. In 2022, the bank's lending to low-income geographies was significantly higher than both demographic data and the rate achieved by aggregate lenders. The bank made no loans to low-income tracts in 2023. The bank's lending performance in moderate-income tracts was below demographic data and aggregate performance levels in 2022, but trended upwards to slightly below area demographics in 2023. With the nominal volume of small business lending activity in the AA, just one loan can have a decisive impact on specific percentages.

Geographic Distribution of Small Business Loans						
Assessment Area: Bellingham MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	5.2	4.7	1	9.1	1,000	41.2
2023	4.9	--	0	0.0	0	0.0
Moderate						
2022	14.5	14.4	1	9.1	80	3.3
2023	14.4	--	1	12.5	30	1.3
Middle						
2022	52.7	53.4	7	63.6	1,041	42.9
2023	53.2	--	4	50.0	1,817	76.9
Upper						
2022	25.3	25.0	2	18.2	304	12.5
2023	25.2	--	3	37.5	515	21.8
Not Available						
2022	2.3	2.4	0	0.0	0	0.0
2023	2.3	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	11	100.0	2,425	100.0
2023	100.0	--	8	100.0	2,362	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects poor penetration among retail customers of different income levels and businesses of different revenue sizes. This conclusion is supported by poor home mortgage lending performance and adequate small business lending performance.

Home Mortgage

The distribution of borrowers reflects poor penetration among customers of different income levels. The bank made no loans to low-income borrowers in 2022. While performance increased in 2023, the bank's performance was well below area demographics. The bank's rate of lending to moderate-income borrowers was below demographic and peer performance in 2022 and trended downward the following year.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Bellingham MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	19.0	5.3	0	0.0	0	0.0
2023	19.0	--	1	1.4	100	0.4
Moderate						
2022	18.9	14.6	4	9.8	938	2.2
2023	18.9	--	6	8.3	1,174	4.8
Middle						
2022	23.2	24.2	10	24.4	3,931	9.3
2023	23.2	--	12	16.7	2,860	11.7
Upper						
2022	38.9	45.5	23	56.1	16,041	37.9
2023	38.9	--	52	72.2	20,092	82.3
Not Available						
2022	0.0	10.4	4	9.8	21,450	50.6
2023	0.0	--	1	1.4	175	0.7
Totals						
2022	100.0	100.0	41	100.0	42,360	100.0
2023	100.0	--	72	100.0	24,401	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of borrowers reflects adequate penetration to businesses with GARs of \$1 million or less. FFB's lending to small businesses was substantially below aggregate data in 2022, but in 2023 the bank's performance improved and reflected a positive trend.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Bellingham MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	92.0	50.8	3	27.3	174	7.2
2023	92.2	--	4	50.0	1,262	53.4
>\$1,000,000						
2022	2.7	--	8	72.7	2,251	92.8
2023	2.5	--	4	50.0	1,100	46.6
Revenue Not Available						
2022	5.3	--	0	0.0	0	0.0
2023	5.3	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	11	100.0	2,425	100.0
2023	100.0	--	8	100.0	2,362	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

FFB has made a low level of CD loans in the Bellingham MSA AA. The bank made 1 CD loan totaling \$14,000 over the review period. This performance represents an increase from the previous evaluation when the bank made no CD loans in the AA. The loan supported affordable housing initiatives, which was identified as a primary CD need in the AA. The loan helped an organization to acquire a 32-unit mobile home park in which a majority of spaces are reserved for LMI individuals.

INVESTMENT TEST

The bank's Investment Test performance in the Bellingham MSA AA is poor.

Investment and Grant Activity

The institution has a poor level of qualified CD investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors. For the current review period, the bank did not make or hold any investments, but made 45 donations for \$429,000. The number and dollar amount of grants and donations increased compared to the previous evaluation, when FFB also made no investments, but made 24 donations for \$311,000. The following table illustrates the bank's qualified grants and donations by year and CD purpose.

Qualified Investments – Bellingham MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
Partial 2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
YTD 2024	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Qualified Grants & Donations	7	199	37	220	-	-	1	10	45	429
Total	7	199	37	220	-	-	1	10	45	429
<i>Source: Bank Data</i>										

The following are notable examples of qualified CD donations benefitting the AA:

- In 2023, the bank supported community services to LMI individuals and families in the AA by donating \$25,000 to a local food bank.
- In 2023, the bank contributed to affordable housing initiatives in the AA by donating \$50,000 to help fund the purchase and rehabilitation of an 11-unit apartment building where all units are reserved for LMI individuals.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and CD needs. The institution focused on grants and donations that supported community services targeted to LMI individuals and affordable housing efforts, which were both identified as CD needs.

Community Development Initiatives

FFB occasionally uses innovative and/or complex investments to support CD initiatives. Refer to the institution-level Investment Test summary for additional detail.

SERVICE TEST

FFB’s Service Test performance in the Bellingham MSA AA is good.

Accessibility of Delivery Systems

Overall, delivery systems are readily accessible to all portions of the institution’s AA. FFB has no branches in the AA’s one low-income CT, which is below area demographics as well as the 19.2 percent of branches operated in the geography by other financial institutions, according to 2023 peer branch and deposit data. However, the bank’s Fairhaven branch and Barkley branch locations are approximately 1.6 and 1.3 miles away from the low-income CT, respectively. The proximity of

those branches to the low-income CT ensures reasonable access for individuals living in the area to the bank’s retail banking services. At 66.7 percent, FFB’s distribution of branches in moderate-income CTs compares favorably to area demographics and is substantially higher than the 21.2 percent of branches operated in these geographies by all area institutions. The following table details the bank’s distribution of branches in the AA by CT income level.

Branch Distribution by Geography Income Level – Bellingham MSA						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	1	1.9	1,939	0.9	-	-
Moderate	12	22.2	48,735	21.5	2	66.7
Middle	26	48.1	119,819	52.8	-	-
Upper	14	25.9	52,081	23.0	1	33.3
NA	1	1.9	4,273	1.9		
Total	54	100.0	226,847	100.0	3	100.0

Source: 2020 U.S. Census Data; Bank Data

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Hours and services are generally consistent with those hours and services discussed at the institution level. The Barkley and Fairhaven branches in Bellingham are in moderate-income CTs, and the Ferndale branch is located within an upper-income tract. Each branch has an ITM and 24-hour deposit-taking ATM onsite.

Community Development Services

The institution provides a relatively high level of CD services. During the evaluation period, bank staff provided 353 hours of qualified CD services benefiting the Bellingham MSA AA. The bank did not provide any qualified CD services in this AA during either of the previous two evaluations. The majority of CD service hours supported community services targeted to LMI individuals, which was identified as a CD need. The following table illustrates the bank’s CD services by year and CD purpose.

Community Development Services – Bellingham MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2022	-	97	-	-	97
2023	27	161	-	-	188
YTD 2024	6	62	-	-	68
Total	33	320	-	-	353

Source: Bank Data

The following are notable examples of CD services provided by bank employees over the evaluation period:

- From 2022 to 2024, an employee provided 158 hours of CD service as the financial services subject matter expert of an organization that supports victims of domestic violence and sexual assault in the AA. The services provided by this organization are particularly impactful to, and largely utilized by LMI individuals.
- In 2023 and 2024, an employee provided 29 hours of service through a local foundation that provides grants targeting LMI community services, affordable housing, and economic development. The employee met with local organizations to discuss their needs, and reviewed grant applications.

BREMERTON MSA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BREMERTON MSA

FFB operates two full-service branches in the Bremerton MSA AA, which is located in the northwest section of Washington. The AA consists of Kitsap County, which comprises the Bremerton-Silverdale-Port Orchard MSA in its entirety.

Economic and Demographic Data

According to 2020 U.S. Census data, the AA consists of 60 geographies, which include no low-income, 15 moderate-income, 34 middle-income, 10 upper-income, and 1 tract that has no income classification. The following table provides select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Bremerton MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	60	0.0	25.0	56.7	16.7	1.7
Population by Geography	275,611	0.0	24.6	60.0	15.4	0.0
Housing Units by Geography	113,730	0.0	25.4	60.1	14.6	0.0
Owner-Occupied Units by Geography	72,040	0.0	17.5	64.4	18.1	0.0
Occupied Rental Units by Geography	33,718	0.0	42.3	50.1	7.5	0.0
Vacant Units by Geography	7,972	0.0	24.9	62.7	12.5	0.0
Businesses by Geography	29,581	0.0	22.3	53.2	24.5	0.0
Farms by Geography	959	0.0	15.8	63.8	20.3	0.0
Family Distribution by Income Level	71,415	18.3	19.3	23.1	39.3	0.0
Household Distribution by Income Level	105,758	21.5	17.3	20.7	40.5	0.0
Median Family Income MSA -#14740 Bremerton-Silverdale-Port Orchard, WA MSA		\$93,126	Median Housing Value			\$374,881
			Median Gross Rent			\$1,337
			Families Below Poverty Level			5.7%
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Based on 2020 U.S. Census data, a total of 113,730 housing units are located in the AA. Of these units, 63.3 percent are owner-occupied, 29.7 percent are occupied rental units, and 7.0 percent are vacant. The median housing value of \$374,881 reflects a moderately priced area. According to 2023 D&B data, a total of 29,581 businesses and 959 farms are based in the AA.

According to Moody’s Analytics as of June 2024, the largest employment sectors in the AA are government, education and health services, followed by retail trade. The top three employers in the Bremerton MSA are Naval Base Kitsap, St. Michael Medical Center, and Olympic College. One major economic strength is that the local Navy presence provides a stable economic foundation for the area.

As listed in the following table, the average annual unemployment rate in Kitsap County was very similar to the State of Washington and above the national average over the two-year review period.

Unemployment Rates		
Area	2022	2023
	%	%
Kitsap County	4.3	4.1
State of Washington	4.1	4.1
National Average	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>		

Competition

The Bremerton MSA AA has a moderate level of competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 13 FDIC-insured institutions share \$4.4 billion in total deposits inside the AA. Of these institutions, FFB ranks 9th in deposit market share, holding 3.0 percent of the AA’s deposits.

Community Contact

Examiners spoke with an executive director of a non-profit social services entity. The contact stated that the area is still recovering from the COVID-19 pandemic and available funding has tightened. The contact expressed concern for the lack of affordable housing stock due, in part, to the number of people moving into the county from higher cost of living areas, such as Seattle. The contact noted that multiple housing projects have been started by local banks and developers to fill the growing housing need. The contact mentioned that job opportunities are constrained because employers need certain skillsets and low-income populations require more community service resources to promote self-sufficiency and stability.

Credit and Community Development Needs and Opportunities

In consideration of the information from the community contact, bank management, and demographic and economic data, examiners determined that the primary CD needs in the AA are affordable housing and community services targeted to LMI individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN BREMERTON MSA

LENDING TEST

FFB's Lending Test performance in the Bremerton MSA AA is adequate.

Lending Activity

FFB's lending levels reflect adequate responsiveness to AA credit needs. During the review period, the bank originated 58 home mortgage loans totaling \$49.5 million. Aggregate HMDA data from 2022 shows a total of 16,847 home mortgage loans were originated by 429 lenders in the AA. FFB ranked 50th among this group, with 0.4 percent of the total market share.

During the review period, FFB originated 22 small business loans totaling \$8.4 million. Aggregate CRA data from 2022 shows a total of 67 lenders originated 4,950 small business loans in the AA. Of this group, FFB ranked 22nd with 0.3 percent of the total market share.

Geographic Distribution

The bank's geographic distribution of loans reflects adequate penetration throughout the AA. This conclusion is primary supported by adequate home mortgage performance. The bank's small business lending reflects poor performance but carries less weight in the overall determination. The AA does not include any low-income geographies; therefore, examiners relied on the bank's performance in moderate-income tracts to form conclusions.

Home Mortgage

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. In 2022, the bank's lending in moderate-income geographies was higher than demographic data and closely aligned with the rate achieved by aggregate lenders. FFB's performance dropped in 2023 and aggregate performance for this year was not available during this evaluation.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: Bremerton MSA							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2022	0.0	0.0	0	0.0	0	0.0
	2023	0.0	--	0	0.0	0	0.0
Moderate							
	2022	17.5	22.5	8	21.6	18,282	50.1
	2023	17.5	--	2	9.5	6,860	52.7
Middle							
	2022	64.4	63.1	23	62.2	12,906	35.4
	2023	64.4	--	14	66.7	3,982	30.6
Upper							
	2022	18.1	14.3	6	16.2	5,273	14.5
	2023	18.1	--	5	23.8	2,182	16.8
Not Available							
	2022	0.0	0.0	0	0.0	0	0.0
	2023	0.0	--	0	0.0	0	0.0
Totals							
	2022	100.0	100.0	37	100.0	36,461	100.0
	2023	100.0	--	21	100.0	13,024	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business

The geographic distribution of small business loans reflects poor penetration throughout the AA. In 2022, the bank's lending to moderate-income geographies was below both demographic data and aggregate lending performance. In the following year, FFB's performance declined, and continued to trail the demographic data level.

Geographic Distribution of Small Business Loans							
Assessment Area: Bremerton MSA							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2022	0.0	0.0	0	0.0	0	0.0
	2023	0.0	--	0	0.0	0	0.0
Moderate							
	2022	22.3	21.6	2	15.4	1,459	28.8
	2023	22.3	--	1	11.1	500	14.9
Middle							
	2022	52.9	57.6	4	30.8	1,483	29.3
	2023	53.2	--	2	22.2	397	11.8
Upper							
	2022	24.8	20.9	7	53.8	2,122	41.9
	2023	24.5	--	6	66.7	2,468	73.3
Not Available							
	2022	0.0	0.0	0	0.0	0	0.0
	2023	0.0	--	0	0.0	0	0.0
Totals							
	2022	100.0	100.0	13	100.0	5,064	100.0
	2023	100.0	--	9	100.0	3,365	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>							

Borrower Profile

The distribution of borrowers reflects adequate penetration among customers of different income levels and businesses of different sizes. This conclusion is supported by poor home mortgage performance and good small business lending performance.

Home Mortgage

The distribution of borrowers reflects poor penetration to LMI borrowers. The bank made no loans to low-income borrowers in 2022, despite demographic and aggregate data indicating both credit opportunity and demand. The bank also made no loans to low-income borrowers in 2023. In 2022, FFB's record of lending to moderate-income borrowers was significantly below demographic and aggregate data. The bank's performance increased in 2023.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Bremerton MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	18.3	4.8	0	0.0	0	0.0
2023	18.3	--	0	0.0	0	0.0
Moderate						
2022	19.3	16.2	3	8.1	783	2.1
2023	19.3	--	3	14.3	125	1.0
Middle						
2022	23.1	26.1	10	27.0	3,525	9.7
2023	23.1	--	5	23.8	1,378	10.6
Upper						
2022	39.3	39.7	20	54.1	12,578	34.5
2023	39.3	--	12	57.1	5,221	40.1
Not Available						
2022	0.0	13.1	4	10.8	19,575	53.7
2023	0.0	--	1	4.8	6,300	48.4
Totals						
2022	100.0	100.0	37	100.0	36,461	100.0
2023	100.0	--	21	100.0	13,024	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of borrowers reflects good penetration to businesses of different revenue sizes. In 2022, FFB's lending to small businesses was consistent with aggregate data, and in 2023, the bank's performance increased by almost 13 percentage points.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Bremerton MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	92.3	56.4	7	53.8	3,225	63.7
2023	92.4	--	6	66.7	2,206	65.6
>\$1,000,000						
2022	1.9	--	6	46.2	1,839	36.3
2023	1.8	--	3	33.3	1,159	34.4
Revenue Not Available						
2022	5.8	--	0	0.0	0	0.0
2023	5.9	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	13	100.0	5,064	100.0
2023	100.0	--	9	100.0	3,365	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

FFB made a low level of CD loans throughout the Bremerton MSA AA, originating 1 CD loan totaling \$6.3 million. At the previous evaluation, the bank made 1 CD loan totaling \$35,000. The bank's CD loan supported affordable housing initiatives, which was identified as a primary CD need in the AA. In 2023, the bank made a \$6.3 million loan to a non-profit, social services agency. The loan proceeds will assist in developing a 34-unit affordable housing project to benefit homeless and LMI families.

INVESTMENT TEST

The bank's Investment Test performance in the Bremerton MSA AA is adequate.

Investment and Grant Activity

FFB has an adequate level of qualified CD investments and grants, particularly those not routinely provided by private investors, rarely in a leadership position, as illustrated in the following table. The bank made 3 new investments totaling \$2.3 million and 25 donations totaling \$260,000. At the previous evaluation, FFB made 1 qualified investment totaling \$4.8 million and 21 grants and donations totaling \$199,000. The following table details the qualified investments and grants by year and CD category.

Qualified Investments – Bremerton MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
Partial 2022	-	-	-	-	-	-	-	-	-	-
2023	1	259	-	-	-	-	-	-	1	259
YTD 2024	2	2,077	-	-	-	-	-	-	2	2,077
Subtotal	3	2,336	-	-	-	-	-	-	3	2,336
Qualified Grants & Donations	3	56	16	152	2	10	4	43	25	260
Total	6	2,392	16	152	2	10	4	43	28	2,596
<i>Source: Bank Data</i>										

The following are notable examples of qualified CD investments or grants made within the AA over the evaluation period:

- In 2024, FFB purchased a low-income housing tax credit investment totaling almost \$2.0 million. The project provides 240 units of affordable housing to LMI individuals and families residing in the AA.
- In 2022, the bank supported affordable housing in the community by donating \$50,000 to an organization that assists LMI families obtain and maintain housing in a high cost of living area of the AA.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and CD needs. The institution focused on investments that supported affordable housing initiatives and critical community services in the AA, which are primary credit needs as described by community contacts.

Community Development Initiatives

FFB occasionally uses innovative and/or complex investments to support CD initiatives. Refer to the institution-level Investment Test summary for additional detail.

SERVICE TEST

FFB’s Service Test performance in the Bremerton MSA AA is adequate.

Accessibility of Delivery Systems

Overall, delivery systems are reasonably accessible to essentially all portions of the institution’s AA. FFB has no branches in any of the AA’s moderate-income CTs, which is below area demographics as well as the 25.0 percent of branches operated in the geography by other financial

institutions, according to 2023 peer branch and deposit data. However, the Bucklin Hill branch location is approximately 2.1 miles away from a moderate-income tract. The proximity of this branch to a moderate-income CT ensures reasonable access for individuals living in the area to FFB’s retail banking services. The following table details the bank’s distribution of branches in the AA by CT income level.

Branch Distribution by Geography Income Level – Bremerton MSA						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	-	-	-	-	-	-
Moderate	15	25.0	67,787	24.6	-	-
Middle	34	56.6	165,481	60.0	1	50.0
Upper	10	16.7	42,343	15.4	1	50.0
NA	1	1.7	-	-	-	-
Total	60	100.0	275,611	100.0	2	100.0
<i>Source: 2020 U.S. Census Data; Bank Data</i>						

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Hours and services are generally consistent with those hours and services discussed at the institution level. The Bucklin Hill branch is in a middle-income CT and the Bainbridge Island branch is located within an upper-income tract. Each branch has an ITM and 24-hour deposit-taking ATM onsite.

Community Development Services

FFB provides an adequate level of CD services. During the evaluation period, bank staff provided 215 hours of qualified CD services in the AA. Most of the CD service hours were conducted with organizations that primarily benefit LMI individuals and families with vital community services. The level of CD service hours declined slightly from the previous evaluation, where employees provided 308 hours of qualified CD service to AA organizations. The decline is largely attributable to the shorter review period. The following table illustrates the bank’s CD services by year and CD purpose.

Community Development Services – Bremerton MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Partial 2022	-	116	-	33	149
2023	-	23	-	30	53
YTD 2024	-	13	-	-	13
Total	-	152	-	63	215
<i>Source: Bank Data</i>					

The following are notable examples of CD services provided by bank employees over the evaluation period:

- In 2022, 2 employees provided a total of 57 hours of service on the board of a local food bank, helping to provide essential services to LMI individuals.
- In 2022 and 2023, an employee provided 63 hours of service on the board of a foundation of an organization dedicated to the stewardship, protection, and maintenance of a historic theater in Bremerton, Washington. These hours helped to revitalize or stabilize a moderate-income geography.

OTHER ASSESSMENT AREA – LIMITED-SCOPE REVIEW

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREA

The following table summarizes the bank’s performance in the AA evaluated using limited-scope procedures as compared to the bank’s performance in the Washington Non-MSA AA.

Assessment Area	Lending Test	Investment Test	Service Test
Seattle MSA	Consistent	Above	Below

Seattle MSA

FFB operates one full-service branch in the AA, located in an upper-income tract. No branches were opened or closed in the AA since the previous evaluation. The following table details the bank’s activities in the AA.

Activity	#	\$
Home Mortgage Loans	78	108.0 million
Small Business Loans	17	6.2 million
Community Development Loans	5	13.1 million
Investments (New)	2	4.7 million
Investments (Prior Period)	1	958,000
Donations	29	281,000
Community Development Services	91	-
<i>Source: Bank Data</i>		

Geographic Distribution and Borrower Profile

Geographic distribution and borrower profile tables are included in the appendix to this evaluation.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans to low-, moderate-, middle- and upper-income individuals;
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the Investment Test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

First Fed Bank	
Scope of Evaluation: Full-scope reviews were performed on the following assessment areas within the noted rated area: State of Washington: Washington Non-MSA Assessment Area Bellingham MSA Assessment Area Bremerton MSA Assessment Area Limited-scope review was performed on the following assessment area within the noted rated area: State of Washington: Seattle MSA Assessment Area	
Time Period Reviewed:	3/21/2022 to 6/18/2024
Products Reviewed: Home Mortgage Loans: 1/1/2022 – 12/31/2023 Small Business Loans: 1/1/2022 – 12/31/2023 Community Development Activities: 3/21/2022 – 6/18/2024	

List of Assessment Areas and Type of Evaluation			
Rated Area/ Assessment Area	Type of Evaluation	Branches Visited	Other Information
State of Washington: Non-MSA	Full-Scope	Corporate Headquarters, Administration Center	None
Bellingham MSA	Full-Scope	None	None
Bremerton MSA	Full-Scope	None	None
Seattle MSA	Limited-Scope	None	None

SUMMARY OF RATINGS FOR RATED AREA

Rated Area	Lending Test	Investment Test	Service Test	Rating
Washington	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREA

Seattle MSA AA

FFB operates one full-service branch in the Seattle MSA AA, which is located in the western portion of Washington. The AA consists of King County, which is part of the Seattle-Bellevue-Kent MSA.

According to 2020 U.S. Census data, the AA contains 495 geographies, which include 24 low-income, 96 moderate-income, 176 middle-income, 185 upper-income, and 14 tracts with no income designation. The following table provides select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Seattle MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	495	4.8	19.4	35.6	37.4	2.8
Population by Geography	2,269,675	4.8	20.4	34.8	38.0	2.0
Housing Units by Geography	952,344	4.9	18.5	35.4	39.0	2.2
Owner-Occupied Units by Geography	508,346	2.5	16.0	36.9	43.8	0.7
Occupied Rental Units by Geography	391,715	7.9	21.6	33.6	32.8	4.2
Vacant Units by Geography	52,283	5.1	19.0	34.3	38.8	2.8
Businesses by Geography	382,668	5.5	15.0	34.2	43.4	1.8
Farms by Geography	5,736	4.3	15.8	37.8	41.0	1.1
Family Distribution by Income Level	534,762	20.0	16.6	19.8	43.6	0.0
Household Distribution by Income Level	900,061	23.4	16.0	17.4	43.2	0.0
Median Family Income MSA-#42644 Seattle-Bellevue-Kent, WA	\$116,853		Median Housing Value			\$627,268
			Median Gross Rent			\$1,707
			Families Below Poverty Level			5.1%
<small>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

The median housing value of \$627,268 reflects a highly priced area. According to Moody's Analytics, as of June 2024, the largest employment sectors in the AA are professional and business services, education and health services, followed by government. The top three employers in the Seattle MSA are Amazon Air Hub and Distribution, Boeing Co., and Microsoft Corp. One major economic strength is Seattle MSA is known as the global center for cloud-computing and software development.

The average annual unemployment rate in King County increased over the review period but was lower than the unemployment rate for the State of Washington and the national average. Refer to the following table for additional details.

Unemployment Rates		
Area	2022	2023
	%	%
King County	3.0	3.4
State of Washington	4.1	4.1
National Average	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>		

According to the June 30, 2023, FDIC Deposit Market Share Report, 43 FDIC-insured institutions share \$111.0 billion in total deposits inside the AA. Of these institutions, FFB ranks 36th in deposit market share, holding 0.1 percent of the AA’s deposits. Aggregate lending data from 2022 shows a total of 105,747 home mortgage loans were originated by 661 lenders in the AA. FFB ranked 133rd among this group, with 0.1 percent of the total market share. The bank ranked 66th among 146 lenders originating small business loans. Peer lending data from 2022 shows FFB with a total market share of 0.1 percent of the 67,724 small business loans originated in the Seattle MSA AA.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Seattle MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.5	2.6	2	3.3	228	0.3
2023	2.5	--	0	0.0	0	0.0
Moderate						
2022	16.0	16.2	8	13.3	6,687	8.1
2023	16.0	--	2	11.1	475	1.8
Middle						
2022	36.9	37.3	16	26.7	24,205	29.4
2023	36.9	--	5	27.8	6,250	24.3
Upper						
2022	43.8	43.1	34	56.7	51,157	62.2
2023	43.8	--	11	61.1	19,023	73.9
Not Available						
2022	0.7	0.8	0	0.0	0	0.0
2023	0.7	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	60	100.0	82,277	100.0
2023	100.0	--	18	100.0	25,748	100.0
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Geographic Distribution of Small Business Loans						
Assessment Area: Seattle MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	5.5	6.2	1	12.5	600	19.8
2023	5.5	--	1	11.1	600	18.7
Moderate						
2022	14.8	16.5	1	12.5	182	6.0
2023	15.0	--	0	0.0	0	0.0
Middle						
2022	34.3	34.4	1	12.5	500	16.5
2023	34.2	--	4	44.4	1,013	31.6
Upper						
2022	43.5	41.4	5	62.5	1,745	57.6
2023	43.4	--	4	44.4	1,595	49.7
Not Available						
2022	1.8	1.6	0	0.0	0	0.0
2023	1.8	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	8	100.0	3,027	100.0
2023	100.0	--	9	100.0	3,208	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Seattle MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	20.0	5.9	0	0.0	0	0.0
2023	20.0	--	0	0.0	0	0.0
Moderate						
2022	16.6	13.5	4	6.7	802	1.0
2023	16.6	--	1	5.6	240	0.9
Middle						
2022	19.8	21.3	7	11.7	3,160	3.8
2023	19.8	--	0	0.0	0	0.0
Upper						
2022	43.6	48.7	36	60.0	53,544	65.1
2023	43.6	--	13	72.2	11,602	45.1
Not Available						
2022	0.0	10.6	13	21.7	24,771	30.1
2023	0.0	--	4	22.2	13,906	54.0
Totals						
2022	100.0	100.0	60	100.0	82,277	100.0
2023	100.0	--	18	100.0	25,748	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Seattle MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	92.2	53.7	3	37.5	325	10.7
2023	92.2	--	3	33.3	351	10.9
>\$1,000,000						
2022	2.6	--	5	62.5	2,702	89.3
2023	2.4	--	6	66.7	2,857	89.1
Revenue Not Available						
2022	5.2	--	0	0.0	0	0.0
2023	5.4	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	8	100.0	3,027	100.0
2023	100.0	--	9	100.0	3,208	100.0
<i>Source: 2022 and 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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.

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

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

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

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

Nonmetropolitan Area (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 that 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.