



PUBLIC DISCLOSURE

November 2, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Falcon National Bank
Charter Number: 24373

183 Cedar Drive
Foley, MN 56329

Office of the Comptroller of the Currency

222 South 9th Street, Suite 800
Minneapolis, MN 55402

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory

The community development test is rated: Outstanding

The major factors supporting this rating include:

- The distribution of loans among individuals of different income levels is reasonable.
- The distribution of loans to geographies of different income levels is reasonable.
- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- A majority of the bank's loans are outside its assessment area (AA).
- The bank exhibits excellent responsiveness to community development (CD) needs through CD loans, qualified investments, and CD services.

Broader Statewide or Regional Activities

Management originated two CD loans totaling \$13,025 thousand during the evaluation period benefitting a broader statewide area that included one or both of the bank's AAs. One CD loan totaling \$13 million supported an organization providing affordable housing, and one CD loan totaling \$25 thousand supported an economic development organization with statewide clients, including Title 1 schools within the bank's AAs.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Statewide	2	100	13,025	100

Loan-to-Deposit Ratio

Falcon National Bank's (FNB) LTD ratio is more than reasonable given the bank's size, financial condition, and credit needs of its AAs. The bank's LTD ratio averaged 90.2 percent over the 13 quarters since the previous CRA performance evaluation, with a high of 97.3 percent in the fourth quarter of 2019 and a low of 83.7 percent in the second quarter of 2018. FNB ranked first out of four similarly situated institutions operating in or near the bank's AAs with similar asset sizes. Refer to the table on the following page to view FNB's LTD ratio compared to four similarly situated financial institutions.

Institution (Headquarters)	Total Assets (\$000s)	Average LTD Ratio (%)
Falcon National Bank (Foley, MN)	573,509	90.18
Border State Bank (Greenbush, MN)	632,848	88.31
Deerwood Bank (Waite Park, MN)	719,021	87.42
American Heritage National Bank (Long Prairie, MN)	378,582	81.16
The Bank of Elk River (Elk River, MN)	456,761	72.17

*Average LTD ratio is from Call Report data from October 1, 2016, through December 31, 2019.

**Total assets are based on December 31, 2019, Call Report data.

Lending in Assessment Area

A majority of the bank's loans are outside its AAs. FNB originated and purchased 47 percent of its total loans by number and 37 percent by dollar volume inside its AAs during the evaluation period. We analyzed 60 1-4 family construction loans and 60 business loans originated between January 1, 2017, and December 31, 2019. This analysis is performed at the bank, rather than the AA level. Results are skewed by 1-4 family construction loans, a product the bank offers throughout the state of Minnesota (MN). Most demand for these loans occurs within the Minneapolis MSA itself, but outside of the bank's Minneapolis MSA AA. Demand for 1-4 family construction loans in the St. Cloud MSA AA is low, but were still identified as a primary product due to the volume of originations attributed to the St. Cloud MSA AA's branches. A majority of small business loans, 73 percent by number and dollar volume, were originated inside the bank's AAs. Refer to the table below to view lending inside and outside the bank's AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans (000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	%	#	%	
Home Mortgage	12	20.0	48	80.0	60	4,180	17.0	20,430	83.0	24,610
Small Business	44	73.3	16	26.7	60	10,276	72.8	3,838	27.2	14,114
Total	56	46.7	64	53.3	120	14,456	37.3	24,268	62.7	38,724

Description of Institution

FNB is a single-state, national bank headquartered in Foley, MN. As of December 31, 2019, the bank's assets totaled approximately \$574 million. FNB is wholly owned by Centra Ventures, Inc., a one-bank holding company, also headquartered in Foley, MN. FNB does not operate any subsidiaries and did not elect to have affiliate activity considered in this evaluation.

FNB operated five full-service branches and five cash dispensing ATMs during the evaluation period. Three additional branches and three ATMs were added during the evaluation period during to a merger on June 25, 2018. The merger caused FNB to transition from a *small bank* to an *intermediate small bank* for CRA purposes and resulted in a new AA (referred to as the Minneapolis MSA AA through this performance evaluation). See the St. Cloud MSA and Minneapolis MSA *Description of Operations* sections for additional branch and ATM information. For CRA purposes, FNB operates only within the State of MN. The MN rating area consists of the St. Cloud MSA and Minneapolis MSA AAs.

FNB is a full-service commercial bank primarily focusing on business loans and leases, and 1-4 family construction lending. The bank offers a variety of traditional banking products and services, such as checking and savings accounts, certificates of deposit, safe deposit boxes, and consumer and commercial lending products. Consumer lending products include home mortgage loans (i.e. FHA, home construction, home equity, mobile home) and installment loans (i.e. new and used auto, recreational vehicles), credit cards, and revolving lines of credit. Commercial products include commercial real estate, term loans, equipment lease financing, and lines of credit. Flexible lending programs include Veterans Administration mortgage loans, First Time Home Buyer programs, and Small Business Administration loans. The bank also offers individual retirement accounts and health savings accounts.

At December 31, 2019, net loans and leases represent 83 percent of total assets. Based on dollar volume outstanding, the loan portfolio is comprised of 67 percent business loans, 23 percent home mortgage loans (including 1-4 family construction loans), nine percent consumer loans, and one percent agriculture loans. Tier one capital was \$55 million and represented 9.5 percent of total assets at the end of the evaluation period.

There are no known financial, legal, or other factors impeding FNB's ability to help meet the credit needs of its AAs. FNB received a Satisfactory rating at the last CRA performance evaluation dated November 17, 2016.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for this examination is January 1, 2017, to December 31, 2019. We reviewed samples of 1-4 family construction loans and business loans originated in the St. Cloud MSA and Minneapolis MSA AAs during the evaluation period. These products were selected based on an analysis of the bank's lending activity during the evaluation period. Additionally, we reviewed all CD loans, donations, and services submitted by management.

Demographic data is used in part to determine the bank's lending performance. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS), which took effect on January 1, 2017.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States is not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

Selection of Areas for Full-Scope Review

A full-scope review was completed for the bank's St. Cloud MSA and Minneapolis MSA AAs, both of which are included in the State of MN rating area, the only state where the bank has office locations. Refer to Appendix A-1, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall CRA rating is based solely on the State of MN rating, as it is the bank's only rating area.

Based on an analysis of loan originations, we selected 1-4 family construction loans and business loans as primary products. Business loans received more weight in the overall Lending Test analysis. Business loans represent 33 percent of loan originations by number and 38 percent by dollar volume during the evaluation period. Home mortgage 1-4 family construction loans represent 26 percent of loan originations by number and 40 percent by dollar volume during the evaluation period. HMDA reportable home mortgage, consumer, and farm loans were not included in our analysis given the limited volume.

Refer to the "Scope" section under the State of MN rating section for additional details regarding how the products were weighted.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Minnesota

CRA rating for the State of Minnesota: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting this rating include:

- The bank exhibits a reasonable geographic distribution of loans in the State of MN. There were no gaps identified within the bank's lending to low- or moderate-income (LMI) census tracts (CTs).
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes in the State of MN.

- The bank exhibits excellent responsiveness to CD needs in the State of MN through CD loans, qualified investments, and CD services.
- The bank did not receive any CRA related complaints during the evaluation period.

Description of Institution's Operations in Minnesota

St. Cloud MSA

In 2017, the St. Cloud MSA AA consisted of Benton County and the eastern 16 CTs of Stearns County. FNB expanded their St. Cloud MSA AA in 2018 to include all of Benton and Stearns Counties due to the bank merger and additional branch locations in the Western portion of Stearns County. FNB operated three full-service branches in the St. Cloud MSA during the evaluation period. Branches are located in Foley, St. Cloud, and Richmond, with the Richmond branch opening in June 2018 as a result of the merger. FNB operates three non-deposit taking ATMs within the AA, all of which are located at branch locations.

The June 30, 2019, FDIC Deposit Market Share Report indicated FNB had \$340 million or 75 percent of its deposits in the St. Cloud MSA AA. FNB ranks fifth of 31 deposit-taking institutions in the AA with a deposit market share of six percent. Other market leaders are Stearns Bank, Bremer Bank, and Wells Fargo Bank, with a combined 48 percent market share.

FNB's primary focus in the St. Cloud MSA AA are business loans and 1-4 family construction loans. Business loans comprised 31 percent by number and 43 percent by dollar volume of all loans originated within the St. Cloud MSA AA during the evaluation period. Home mortgage 1-4 family construction loans comprised 20 percent by number and 28 percent by dollar volume of all loans originated within the St. Cloud MSA AA.

We contacted one community member from the St. Cloud MSA AA as part of this examination. The contact's organization works with regional businesses and community leaders to improve the region's business climate. The contact is located in St. Cloud, MN, and serves all of Benton and Stearns counties and a portion of Sherburne County. The contact stated lending needs in the region include access to capital for startup businesses and entrepreneurs; however, they noted the risk associated with this type of lending is often higher than allowed under prudent underwriting standards. They also noted while the area has LMI populations and an elevated poverty level, current housing projects are not directed towards LMI individuals.

The tables on the following page provide information on the demographic composition of the St. Cloud MSA AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Falcon NB St. Cloud MSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0.0	16.0	64.0	20.0	0.0
Population by Geography	126,627	0.0	19.2	57.1	23.8	0.0
Housing Units by Geography	50,865	0.0	20.7	58.4	20.9	0.0
Owner-Occupied Units by Geography	30,824	0.0	13.0	61.0	26.0	0.0
Occupied Rental Units by Geography	17,518	0.0	32.9	54.8	12.3	0.0
Vacant Units by Geography	2,523	0.0	30.0	50.9	19.1	0.0
Businesses by Geography	8,098	0.0	21.6	53.9	24.5	0.0
Farms by Geography	436	0.0	6.9	73.2	20.0	0.0
Family Distribution by Income Level	29,659	21.5	17.2	21.8	39.6	0.0
Household Distribution by Income Level	48,342	25.6	16.2	19.0	39.3	0.0
Median Family Income MSA - 41060 St. Cloud, MN MSA		\$69,359	Median Housing Value			\$158,280
<i>Source: 2015 ACS and 2017 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>			Median Gross Rent			\$758
			Families Below Poverty Level			9.1%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Falcon NB St. Cloud MSA 2018-19						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	0.0	10.5	76.3	13.2	0.0
Population by Geography	191,816	0.0	12.7	71.7	15.7	0.0
Housing Units by Geography	79,007	0.0	13.3	73.2	13.5	0.0
Owner-Occupied Units by Geography	51,046	0.0	7.9	76.5	15.7	0.0
Occupied Rental Units by Geography	21,851	0.0	26.4	63.7	9.9	0.0
Vacant Units by Geography	6,110	0.0	12.4	79.7	7.9	0.0
Businesses by Geography	13,740	0.0	14.1	69.0	16.9	0.0
Farms by Geography	1,209	0.0	2.4	90.3	7.3	0.0
Family Distribution by Income Level	47,374	20.0	17.5	23.0	39.5	0.0
Household Distribution by Income Level	72,897	23.7	16.0	19.4	40.9	0.0
Median Family Income MSA - 41060 St. Cloud, MN MSA		\$69,359	Median Housing Value			\$165,394
<i>Source: 2015 ACS and 2019 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>			Median Gross Rent			\$744
			Families Below Poverty Level			7.7%

Minneapolis MSA

The Minneapolis MSA AA consists of Anoka, Isanti, Mille Lacs, and Sherburne Counties. The Minneapolis MSA AA is only considered in our analysis from June 25, 2018, through the end of the evaluation period as it became a new AA as a result of the merger. FNB merged two full-service branches, Ham Lake and Isanti, located in the Minneapolis MSA during the evaluation period. FNB operates two non-deposit taking ATMs within the AA, both of which are located at branch locations.

The June 30, 2019, FDIC Deposit Market Share Report indicated that FNB had \$115 million or 25 percent of its deposits in the Minneapolis MSA AA. FNB ranks 15th of 31 deposit-taking institutions in the AA with a deposit market share of two percent. Market leaders are Wells Fargo Bank, U.S. Bank, and TCF National Bank, with a combined 51 percent market share.

FNB's primary focus in the Minneapolis MSA AA are 1-4 family construction loans and business loans. Home mortgage 1-4 family construction loans comprised 43 percent by number and 71 percent by dollar volume of all loans originated within the Minneapolis MSA AA during the evaluation period. Business loans comprised 38 percent by number and 25 percent by dollar volume of all loans originated with the Minneapolis MSA AA.

We contacted a community member in the Minneapolis MSA AA as part of this examination. The contact's organization provides informative and educational resources, and networking opportunities to local businesses. The contact serves Isanti County. They identified affordable multifamily housing as a need in the area; however, opportunities are limited without incentives such as tax credits. They did not identify any specific financial institutions, but noted each of the local financial institutions are positively involved in the community.

Additionally, we considered the following performance context factors when performing this evaluation. The \$188 thousand median housing value is high relative to the \$85 thousand median family income. Additionally, the majority of 1-4 family construction loans less than \$200 thousand are underwritten with a construction-to-permanent financing structure. This type of loan is HMDA reportable and would not be comparable to the bank's 1-4 family construction loan primary product, since the bank does not provide permanent financing. These higher dollar loans, combined with a maximum loan-to-value of 90 percent, requires a larger down payment which can be difficult for LMI individuals to afford. Lastly, Minneapolis MSA AA branch locations are only located near two moderate-income CTs, which can cause difficulty in lending to moderate-income areas.

The table on the following page provides information on the Minneapolis MSA AA's demographic composition.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Falcon NB Minneapolis MSA 2018-19						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	109	0.0	32.1	55.0	12.8	0.0
Population by Geography	493,270	0.0	26.4	60.5	13.1	0.0
Housing Units by Geography	189,649	0.0	29.6	58.9	11.5	0.0
Owner-Occupied Units by Geography	143,016	0.0	23.6	62.7	13.7	0.0
Occupied Rental Units by Geography	36,140	0.0	49.0	46.0	4.9	0.0
Vacant Units by Geography	10,493	0.0	45.5	51.1	3.4	0.0
Businesses by Geography	35,260	0.0	23.9	62.8	13.3	0.0
Farms by Geography	1,317	0.0	16.6	73.4	9.9	0.0
Family Distribution by Income Level	129,489	20.1	20.2	24.8	34.9	0.0
Household Distribution by Income Level	179,156	20.7	17.4	21.1	40.7	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN- WI MSA		\$84,589	Median Housing Value			\$188,094
<i>Source: 2015 ACS and 2019 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>			Median Gross Rent			\$958
			Families Below Poverty Level			5.7%

Scope of Evaluation in Minnesota

The St. Cloud MSA and Minneapolis MSA AAs received full-scope reviews. The St. Cloud MSA AA received more weight when determining the State of MN ratings. The St. Cloud MSA AA includes the majority of the bank's branch locations, deposit volume, and loan origination activity.

Primary products in both AAs were 1-4 family construction and business loans. Business loans received the most weight in the St. Cloud MSA AA as they accounted for 31 percent of the AA's loan originations by number and 43 percent by dollar volume. While 1-4 family construction loans were also selected as a primary product, a meaningful geographic and borrower distribution analysis could not be completed due to the limited volume of loans inside the AA. Home mortgage 1-4 family construction loans received more weight in the Minneapolis MSA AA as they accounted for 43 percent of AA's loan originations by number and 71 percent by dollar volume. The Minneapolis MSA did not exist until the merger on June 25, 2018; therefore, lending activity in Minneapolis AA branches was not considered prior to this date.

Refer to the table in Appendix A-1 for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

LENDING TEST

The bank's performance under the Lending Test in MN is rated Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's lending performance in the St. Cloud MSA and Minneapolis MSA AAs is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State of MN. The geographic distribution conclusion is based on the bank's performance in the St. Cloud MSA AA and the Minneapolis MSA AA.

Business Loans

The bank exhibits reasonable geographic distribution of business loans in the State of MN. Refer to Table Q in Appendix D-3 for the facts and data used to evaluate the geographic distribution of the bank's business loan originations and purchases.

St. Cloud MSA

The distribution of business loans to geographies of different income levels in the St. Cloud MSA AA is reasonable. FNB's business loan originations within moderate-income geographies in 2017 significantly exceeds the demographic comparator and exceeds the aggregate comparator. FNB's business loan originations within moderate-income geographies in 2018-19 is somewhat lower than both the demographic and aggregate comparators. There were not any low-income CTs within the AA during the evaluation period; therefore, low-income CTs were not considered in our analysis.

Minneapolis MSA

The distribution of business loans to geographies of different income levels in the Minneapolis MSA AA is poor. FNB's business loan originations within moderate-income geographies in 2018-19 is somewhat lower than the aggregate comparator and lower than the demographic comparator. There were not any low-income CTs within the AA during the evaluation period; therefore, low-income CTs were not considered in our analysis.

Home Mortgage 1-4 Family Construction Loans

The bank exhibits excellent geographic distribution of 1-4 family construction loans in the State of MN. Refer to Table O in Appendix D-2 for the facts and data used to evaluate the geographic distribution of the bank's 1-4 family construction loan originations and purchases.

Minneapolis MSA

The distribution of 1-4 family construction loans to geographies of different income levels in the Minneapolis MSA AA is excellent. FNB's 1-4 family construction loan originations within moderate-income geographies in 2018-19 exceeds the demographic comparator. Aggregate HMDA data was not considered for comparison as 1-4 family construction-only loans are not a HMDA-reportable product. There were not any low-income CTs within the AA during the evaluation period; therefore, low-income CTs were not considered in our analysis.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes in the State of MN. The borrower distribution conclusion is based on the bank's performance in the St. Cloud MSA AA and the Minneapolis MSA AA.

Business Loans

The bank exhibits reasonable distribution of loans to businesses of different sizes in the State of MN. Refer to Table R in Appendix D-3 for the facts and data used to evaluate the borrower distribution of the bank's business loan originations and purchases.

St. Cloud MSA

The distribution of loans to businesses of different sizes in the St. Cloud MSA AA is reasonable. For the 2017 and 2018-19 loan samples, FNB's small business loan originations is lower than and somewhat lower than each demographic comparator, respectively, but significantly exceeds each aggregate comparator.

Minneapolis MSA

The distribution of loans to businesses of different sizes in the Minneapolis MSA AA is reasonable. In 2018-19, FNB's small business loan originations is lower than the demographic comparator, but exceeds the aggregate comparator.

Home Mortgage 1-4 Family Construction Loans

The bank exhibits reasonable distribution of loans to individuals of different income levels in the State of MN. Refer to Table P in Appendix D-2 for the facts and data used to evaluate the borrower distribution of the bank's 1-4 family construction loan originations and purchases.

Minneapolis MSA

The distribution of 1-4 family construction loans to borrowers of different income levels in the Minneapolis MSA AA is reasonable. For 2018-19, FNB's 1-4 family construction loan originations to low-income families is significantly lower than the demographic comparator and somewhat lower than the demographic comparator for moderate-income families. Aggregate HMDA data was not considered for comparison as 1-4 family construction-only loans are not a HMDA-reportable product. While FNB is below demographic comparators, performance context factors discussed in the *Description of*

Institution's Operations in Minnesota section were factored into the reasonable borrower distribution for 1-4 family construction loans.

Responses to Complaints

FNB did not receive any CRA related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in the State of MN is rated Outstanding.

Conclusions for Areas Receiving Full-Scope Reviews

Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in MN through CD loans, qualified investments, and CD services, considering the bank's capacity, and the need and availability CD opportunities in the bank's AAs.

CD activity for the St. Cloud MSA AA was considered from October 1, 2016, through December 31, 2019. CD activity in the Minneapolis MSA AA was considered from June 25, 2018, the merger date, through December 31, 2019.

Number and Amount of Community Development Loans

The bank exhibits excellent responsiveness to CD lending needs in MN. The table below sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
St. Cloud MSA	31	83.8	16,137	81.8
Minneapolis MSA	6	16.2	3,593	18.2

St. Cloud MSA

Management originated 31 CD loans totaling \$16,137 thousand during the evaluation period. The majority of CD loans, 24 totaling \$12,312 thousand, supported economic development with the St. Cloud MSA AA by promoting LMI job creation and retention. Seven CD loans totaling \$3,825 thousand, supported organizations providing affordable housing or specific affordable housing projects.

Minneapolis MSA

Management originated six CD loans totaling \$3,593 thousand during the evaluation period. All CD loans in the Minneapolis MSA AA supported economic development within the AA by promoting LMI job creation and retention.

Number and Amount of Qualified Investments

The bank exhibits adequate responsiveness to qualified investment needs in Minnesota. The table below sets forth the information and data used to evaluate the bank's level of qualified investments. The table includes all qualified investments, including CD donations.

Qualified Investments										
Assessment Area:	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
St. Cloud MSA	0	0	20	12	20	80%	12	85.7%	0	0
Minneapolis MSA	0	0	5	2	5	20%	2	14.3%	0	0

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

St. Cloud MSA

Qualified investments totaled \$12 thousand during the evaluation period, consisting entirely of donations. During the evaluation period, management provided 20 donations to 11 qualified CD organizations in the AA. Most donations, 16 totaling \$8.8 thousand supported organizations providing community services to the AA. Four donations totaling \$3.5 thousand supported economic development organizations. Management did not purchase any qualified investments during the evaluation period and did not have any prior period investments outstanding in the St. Cloud MSA AA.

Minneapolis MSA

Qualified investments totaled \$2 thousand during the evaluation period, consisting entirely of donations. During the evaluation period, management provided five donations to four qualified CD organizations in the AA. All donations supported organizations providing community services to the AA. Management did not purchase any qualified investments during the evaluation period and did not have any prior period investments outstanding in the Minneapolis MSA AA.

Extent to Which the Bank Provides Community Development Services

The bank exhibits excellent responsiveness to CD service needs in the State of MN.

St. Cloud MSA

During the evaluation period, 12 employees provided 2,286 hours to 17 qualified CD organizations benefitting the St. Cloud MSA AA. Service hours were split evenly between economic development and community service organizations, with 1,149 hours provided to nine economic development organizations and 1,137 hours provided to eight organizations providing community services to LMI individuals. Examples include:

- Two employees served as a Board member or Executive Director for a rural Chamber of Commerce many local small businesses are dependent;

- One employee served as a Board member to an organization dedicated to helping manufacturing companies of all sizes, including many that meet the small business size definition;
- Three employees served as a Board member or participated in financial education volunteering to students of Title 1 schools; and,
- One employee served as a committee member for an organization dedicated to helping the homeless.

Minneapolis MSA

During the evaluation period, three employees provided 143 hours to four qualified CD organizations benefitting the Minneapolis MSA AA. All services hours were provided to organizations providing community services to LMI individuals. Examples include:

- Two employees served as a Board member or secretary of organizations dedicated to providing necessary community services to children in LMI families; and,
- One employee served as a Board member of an organization providing necessary medical services in a moderate-income CT.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2017 to December 31, 2019	
Bank Products Reviewed:	Lending Test: Home mortgage 1-4 family construction, and small business loans. CD Test: CD loans, qualified investments, and CD services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Minnesota		
St. Cloud MSA	Full-scope	2017 – Included Benton County and a portion of Stearns County (CTs 3.01; 3.02; 4.01; 4.02; 5.0; 6.01; 6.02; 7.01; 8.01; 9.01; 10.01; 101.01; 101.02; 102.0; 113.01; and 116.0) 2018-19 – Included Benton and Stearns Counties
Minneapolis MSA	Full-scope	Became an AA on June 25, 2018, as a result of merger activity, and includes Anoka, Isanti, Mille Lacs, and Sherburne Counties

Appendix B: Summary of State Ratings

RATINGS			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Falcon National Bank	Satisfactory	Outstanding	Satisfactory
State:			
Minnesota	Satisfactory	Outstanding	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, other secured consumer loans, and other unsecured consumer loans.

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

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

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

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography

Assessment Area:	Total Consumer Loans		Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Owner-Occupied Housing Units	% Bank Loans	% of Owner-Occupied Housing Units	% Bank Loans	% of Owner-Occupied Housing Units	% Bank Loans	% of Owner-Occupied Housing Units	% Bank Loans	% of Owner-Occupied Housing Units	% Bank Loans
Minneapolis MSA ¹ 2018 - 2019	20	7,849	0.0	0.0	23.6	25.0	62.7	65.0	13.7	10.0	0.0	0.0

*Source: 2015 ACS Census; 06/25/2018 - 12/31/2019 Bank Data,
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

Assessment Area:	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income	
	#	\$	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans
Minneapolis MSA 2018-2019	60	21,373	20.1	8.3	20.2	16.7	24.8	31.7	34.9	43.3	0.0	0.0

*Source: 2015 ACS Census; 06/25/2018 - 12/31/2019 Bank Data,
Due to rounding, totals may not equal 100.0*

1: St Cloud MSA AA—While 1-4 family construction loans were also selected as a primary product, a meaningful geographic and borrower distribution analysis could not be completed due to the limited volume of loans inside the AA.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
St. Cloud MSA 2017	20	5,748	14.2	2,059	0.0	0.0	0.0	21.6	25.0	22.8	53.9	50.0	52.7	24.5	25.0	24.5	0.0	0.0	0.0
St. Cloud MSA 2018-19	60	17,329	42.9	2,829	0.0	0.0	0.0	14.1	11.7	15.0	69.0	75.0	67.9	16.9	13.3	17.0	0.0	0.0	0.0
Minneapolis MSA 2018-19	60	9,617	42.9	8,733	0.0	0.0	0.0	23.9	16.7	22.3	62.8	68.3	64.6	13.3	15.0	13.1	0.0	0.0	0.0
Total	140	32,694	100	13,621															

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
St. Cloud MSA 2017	20	5,748	33.3	2,059	79.6	55.0	44.0	7.8	45.0	12.6	0.0
St. Cloud MSA 2018-19	20	4,999	33.3	2,829	82.4	60.0	44.8	6.7	40.0	11.0	0.0
Minneapolis MSA 2018-19	20	1,548	33.3	8,733	88.4	55.0	53.4	4.6	45.0	6.9	0.0
Total	60	12,295	100	13,621							

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*