



PUBLIC DISCLOSURE

March 19, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Milaca
Charter Number 9050

190 2nd Ave SW
Milaca, MN 56353

Office of the Comptroller of the Currency

222 S. 9th Street
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

The Lending Test is rated: Outstanding.

The primary factors supporting The First National Bank of Milaca's rating include:

- The bank's borrower distribution of loans reflects excellent penetration.
- The bank's geographic distribution of loans reflects excellent dispersion.
- The bank's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment areas (AAs).
- The bank originated a majority of its loans inside its designated AAs.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

Full 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/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. 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 it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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

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

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

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

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) 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 One 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.

Description of Institution

The First National Bank of Milaca (FNB Milaca) is a federally-chartered, single-state financial institution with total assets of \$209 million as of December 31, 2017. The main office is located in Milaca in Mille Lacs County in north central Minnesota (MN). FNB Milaca has two additional branch locations located in the cities of Isle, MN in Mille Lacs County and Gilman, MN in Benton County. The bank also operates five automated teller machines (ATMs). The ATMs do not accept deposits. The bank did not open or close branches or complete any mergers or acquisitions since the last CRA examination. FNB Milaca is wholly-owned by Rum River Bancorporation, Inc., a one-bank holding company located in Milaca, MN. The bank does not have any other affiliates or subsidiaries.

FNB Milaca has two assessment areas (AAs) in the state of MN. They are the Minneapolis, MN Metropolitan Statistical Area (MSA) AA, and the St. Cloud, MN MSA AA. The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income (LMI) census tracts (CTs).

FNB Milaca's primary focus is small businesses and consumer loans. As of December 31, 2017, FNB Milaca's loan portfolio totaled \$124 million or 59 percent of total assets. The loan portfolio was comprised of commercial loans (50 percent by dollar volume of the loan portfolio), residential real estate loans (28 percent), agricultural loans (14 percent), and consumer loans (8 percent).

Competition within the bank's AAs is moderate. There are six institutions with offices in Mille Lacs County. The June 30, 2017 Federal Deposit Insurance Corporation (FDIC) deposit share report indicated that FNB Milaca ranks 1st with 37 percent of the total deposit share within the county. The bank's deposits totaled \$163 million. There are nine institutions with offices in Benton County. The June 30, 2017 FDIC deposit share report indicated that FNB Milaca ranks 8th with nearly 4 percent of the total deposit share within the county. The bank's deposits totaled \$15 million. Large national banks and/or banks with multiple branches within the county, particularly those with branch locations in or near the city of St. Cloud, control most of the deposit share in Benton County.

There are no known financial, legal, or other factors that would impede the bank's ability to meet the credit needs in its AAs. The bank received a "Satisfactory" rating at the prior CRA examination dated November 26, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FNB Milaca's CRA performance using small bank examination procedures, which includes the lending test only. The lending test evaluated the bank's record of meeting the credit needs of its AAs through its lending activities. The

evaluation period for the LTD deposit portion of the lending test covered October 1, 2012 to December 31, 2017. The period for the complaint review covered November 26, 2012 to March 13, 2018. The evaluation period for the remaining portions of the lending test covered January 1, 2016 to December 31, 2017, and focused on the bank's primary loan products.

We noted that the evaluation period includes two different census data sets. Accordingly, we used the 2010 U.S. Census Data for the demographic comparators for the 2016 lending tests and the 2015 ACS U.S. Census Data for the demographic comparators for the 2017 lending tests. We also noted that the 2015 ACS U.S. Census changed the 9705.01 CT located within the Minneapolis MSA AA from a middle- to moderate-income tract. Given this change in the LMI tracts within the AA, we determined primary products in the Minneapolis MSA AA separately for 2016 and 2017.

We reviewed the loan origination and purchase volume during the evaluation period to identify the primary loan products for each year including the two separate years for the Minneapolis MSA AA. For the Minneapolis MSA AA, we determined the bank's primary products were commercial loans (26 percent of new loans by number and 51 percent of new loans by dollar) and consumer loans (56 percent by number and 14 percent by dollar) in 2016. The bank had the same primary products for the Minneapolis MSA AA in 2017 – commercial loans (23 percent of new loans by number and 51 percent of new loans by dollar) and consumer loans (58 percent by number and 14 percent by dollar). For the St. Cloud MSA AA, we determined the bank's primary product was agricultural loans (48 percent by number and 69 percent by dollar) from 2016 to 2017.

Data Integrity

To evaluate the bank's performance, we selected a sample of the primary product loans. The sample included randomly selected commercial loans (20), consumer loans (20), and agricultural loans (20) originated in each year - 2016 and 2017. This resulted in a total sample of 120 randomly selected loans. In order to have sufficient information to analyze, we also expanded the commercial loan sample from 20 to 60 loans for the 2017 borrower distribution test within the Minneapolis MSA AA.

Selection of Areas for Full-Scope Review

We completed a full scope review of both AAs. Refer to Appendix A for more details about the examination scope and Appendix B for a full description of the AA and the community profile.

Ratings

FNB Milaca's overall rating was based on the lending test. The lending test included a full-scope review of both AAs and the respective primary products. We placed greater weight on the Minneapolis MSA AA lending test results as FNB Milaca derives the greatest volume of deposits and originates the majority of its loans from this AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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 Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] 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.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB Milaca's performance under the lending test is Outstanding. Overall, the bank's lending activity reflects outstanding responsiveness to the AAs' credit needs for commercial, consumer, and agricultural loans.

We evaluated FNB Milaca's lending performance on five performance criteria: the loan-to-deposit ratio; lending in the AAs; lending to borrowers of different incomes and businesses and farms of different sizes; geographic distribution of loans; and responses to CRA related complaints.

Loan-to-Deposit Ratio

FNB Milaca's average net LTD ratio is reasonable considering its size, location, and financial condition as well as local economic conditions in the bank's AAs. The bank's quarterly net LTD ratio fluctuated from a low of 61 percent to a high of 71 percent over the period of December 31, 2012 through December 31, 2017. The bank's LTD ratio ranked third among four similarly situated banks. Similarly situated banks are defined as banks with market presence in the AA and between \$40 million and \$275 million as of December 31, 2017. The following table illustrates FNB Milaca's average LTD ratio in comparison to similarly situated banks:

LTD Ratios for Similarly Situated Banks		
Bank	Total Assets - \$000s (as of 12/31/2017)	Average LTD (4Q12-4Q17)
Falcon National Bank	265,583	87.95%
Grand Timber Bank	41,638	74.12%
The First National Bank of Milaca	208,717	66.46%
Security State Bank of Aitkin	98,266	64.07%

Source: Call Report Data.

Lending in Assessment Area

FNB Milaca originates a majority of its loans inside its AAs. FNB Milaca originated 78 percent of its loans by number and 81 percent of its loans by dollar within the bank's AAs. The table on the following page illustrates the bank's lending inside and outside of its AAs by product type:

Lending in Minneapolis MSA AA and St. Cloud MSA AA, 2016 and 2017										
	Number of Loans					Dollars of Loans (000s)				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	33	82.50%	7	17.50%	40	\$1,850	86.81%	\$281	13.19%	\$2,131
Consumer	32	80.00%	8	20.00%	40	\$564	78.99%	\$150	21.01%	\$714
Agriculture	29	72.50%	11	27.50%	40	\$1,652	76.30%	\$513	23.70%	\$2,165
Totals	94	78.33%	26	21.66%	120	\$4,066	81.16%	\$944	18.84%	\$5,010

Source: OCC Loan Sample.

Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes

Overall, FNB Milaca's borrower distribution of loans reflects excellent penetration in its AAs.

Minneapolis MSA AA

Borrower Distribution of Commercial Loans

Overall, FNB Milaca's distribution of commercial loans to businesses of different sizes in the Minneapolis MSA AA reflects reasonable penetration. The bank's lending to small businesses was near the demographic comparator in 2016 and 2017. The following tables illustrate the distribution of commercial loans among businesses of different sizes in the AA in 2016 and 2017:

Table 2A - Borrower Distribution of Loans to Businesses in Minneapolis MSA AA 2016				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	86.24%	4.93%	8.83%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0.00%	100%
% of Bank Loans in AA by \$	50.26%	49.74%	0.00%	100%

Source: OCC Loan sample; Dun and Bradstreet data 2016.

Table 2A - Borrower Distribution of Loans to Businesses in Minneapolis MSA AA 2017				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	85.81%	5.09%	9.10%	100%
% of Bank Loans in AA by #	68.33%	31.67%	0.00%	100%
% of Bank Loans in AA by \$	37.39%	62.61%	0.00%	100%

Source: OCC Loan sample; Dun and Bradstreet data 2017.

Borrower Distribution of Consumer Loans

Overall, FNB Milaca’s distribution of consumer loans to borrowers of different income levels in the Minneapolis MSA AA reflects excellent penetration. In 2016, the bank’s lending to moderate-income borrowers significantly exceeds the percent of moderate-income households and exceeds the percent of low-income households in the AA. In 2017, lending to low-income borrowers significantly exceeds the percent of low-income households in the AA and is just below the percent of moderate-income households in the AA. The following tables illustrate the distribution of consumer loans among borrowers of different income levels in the AA in 2016 and 2017:

Table 2B - Borrower Distribution of Consumer Loans in Minneapolis MSA AA 2016								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	33.02%	35.00%	21.08%	55.00%	22.12%	10.00%	23.78%	0.00%

Source: OCC Loan Sample; 2010 US Census Data

Table 2B - Borrower Distribution of Consumer Loans in Minneapolis MSA AA 2017								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	31.95%	65.00%	21.46%	20.00%	21.13%	10.00%	25.46%	5.00%

Source: OCC Loan Sample; 2015 ASC US Census Data

St. Cloud MSA AA

Borrower Distribution of Agricultural Loans

Overall, FNB Milaca’s distribution of agricultural loans to farms of different sizes in the St. Cloud MSA AA reflects excellent penetration. The bank’s lending to small farms exceeded the demographic comparator in 2016 and 2017. The tables on the following page illustrate the distribution of agricultural loans among farms of different sizes in the AA in 2016 and 2017:

Table 2A - Borrower Distribution of Loans to Farms in St. Cloud MSA AA 2016				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.80%	1.10%	1.10%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: OCC Loan sample; Dunn and Bradstreet Data 2016.

Table 2A - Borrower Distribution of Loans to Farms in St. Cloud MSA AA 2017				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.60%	1.20%	1.20%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: OCC Loan sample; Dunn and Bradstreet Data 2017.

Geographic Distribution of Loans

Overall, FNB Milaca's geographic distribution of loans reflects excellent dispersion in its AA. We relied exclusively on the geographic distribution results for the Minneapolis MSA AA. We did not complete the geographic distribution test for the bank's St. Cloud MSA AA as the AA is comprised exclusively of middle-income tracts and the analysis would not be meaningful.

Minneapolis MSA

Geographic Distribution of Commercial Loans

FNB Milaca's geographic distribution of commercial loans reflects excellent dispersion throughout the AA. The bank's lending to small businesses exceeds the demographic comparator for 2016 and meets the comparator for 2017. The following tables show the geographic distribution of commercial loans to small businesses in the AA in 2016 and 2017:

Table 3A - Geographic Distribution of Loans to Businesses in Minneapolis MSA AA 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial Loans	0.00%	0.00%	88.50%	95.00%	11.50%	5.00%	0.00%	0.00%

Source: OCC Loan sample; Dun and Bradstreet data 2016.

Table 3A - Geographic Distribution of Loans to Businesses in Minneapolis MSA AA 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial Loans	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%

Source: OCC Loan sample; Dun and Bradstreet data 2017.

Geographic Distribution of Consumer Loans

FNB Milaca's geographic distribution of consumer loans reflects excellent dispersion throughout the AA. The bank's lending to borrowers of different income levels exceeded the demographic comparator for 2016 and met the comparator for 2017. The tables on the following page show the geographic distribution of consumer loans to borrowers of different income levels in the AA in 2016 and 2017:

Table 3B - Geographic Distribution of Consumer Loans in Minneapolis MSA AA 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	85.18%	100.00%	14.82%	0.00%	0.00%	0.00%

Source: OCC Loan Sample; 2010 US Census Data.

Table 3B - Geographic Distribution of Consumer Loans in Minneapolis MSA AA 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%

Source: OCC Loan Sample; 2015 ASC US Census Data.

St. Cloud MSA

We did not complete the geographic distribution test for the bank's St. Cloud MSA AA. The analysis of the geographic distribution of loans is not meaningful as the St. Cloud MSA AA consists solely of middle-income census tracts.

Responses to Complaints

FNB Milaca has not received any CRA-related complaints since the prior CRA examination.

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 metropolitan and nonmetropolitan areas 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	Lending Test (excludes CD loans): <ul style="list-style-type: none"> • LTD (10/1/2012 to 12/31/2017); • Lending In Assessment Area, Borrower Distribution, Geographic Distribution (1/1/2016 to 12/31/2017); and • Complaints (11/26/2012 to 3/13/2018). 	
Financial Institution		Products Reviewed
The First National Bank of Milaca Milaca, MN		Minneapolis MSA AA – Consumer and Commercial St. Cloud MSA AA - Agricultural
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Minneapolis MSA	Full Scope	Also known as Milaca AA. Four CTs located within Mille Lacs County and one CT located in Aitkin County. There were mid-cycle census tract changes during our evaluation period. CT #7905.01 changed from a middle- to moderate-income tract from 2016 to 2017. As a result, lending performance was evaluated independently for 2016 and 2017 for the Minneapolis MSA AA. The remaining CTs have consistently been moderate-income tracts.
St. Cloud MSA	Full Scope	Also known as Gilman AA. Two middle-income CTs located within Benton County.

Appendix B: Community Profiles for Full-Scope Areas

Minneapolis MSA AA 2016

Demographic Information for Full-Scope Area: Minneapolis MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0%	80%	20%	0%	0%
Population by Geography	16,430	0%	88.09%	11.91%	0%	0%
Owner-Occupied Housing by Geography	5,704	0%	84.17%	15.83%	0%	0%
Businesses by Geography	974	0%	88.5%	11.5%	0%	0%
Farms by Geography	95	0%	88.42%	11.58%	0%	0%
Family Distribution by Income Level	4,537	29.73%	26.27%	24.99%	19.00%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,541	0%	52.77%	46.91%	0%	0%
Median Family Income FFIEC Adjusted Median Family Income Households Below the Poverty Level	= \$74,977 = \$80,920 = 12.15%	Median Housing Value = \$178,795 Unemployment Rate = 6.0%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

Minneapolis MSA AA 2017

Demographic Information for Full-Scope Area: Minneapolis MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0%	100%	0%	0%	0%
Population by Geography	16,319	0%	100%	0%	0%	0%
Owner-Occupied Housing by Geography	5,233	0%	100%	0%	0%	0%
Businesses by Geography	1,001	0%	100%	0%	0%	0%
Farms by Geography	72	0%	100%	0%	0%	0%
Family Distribution by Income Level	4,497	32.31%	25.06%	23.06%	19.57%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,580	0%	100%	0%	0%	0%

Median Family Income	= \$81,145	Median Housing Value = \$153,590
FFIEC Adjusted Median Family Income	= \$84,900	Unemployment Rate = 5.7%
Households Below the Poverty Level	= 12.82%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 Updated ACS U.S. Census, and 2017 FFIEC updated MFI.

St. Cloud MSA AA 2016

Demographic Information for Full-Scope Area: St. Cloud MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2	0%	0%	100%	0%	0%
Population by Geography	8,580	0%	0%	100%	0%	0%
Owner-Occupied Housing by Geography	2,676	0%	0%	100%	0%	0%
Businesses by Geography	539	0%	0%	100%	0%	0%
Farms by Geography	182	0%	0%	100%	0%	0%
Family Distribution by Income Level	2,299	18.83%	17.27%	30.36%	33.54%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	830	0%	0%	100%	0%	0%
Median Family Income	= \$64,993	Median Housing Value = \$181,158 Unemployment Rate = 4.5%				
FFIEC Adjusted Median Family Income	= \$71,400					
Households Below the Poverty Level	= 8.45%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

St. Cloud MSA AA 2017

Demographic Information for Full-Scope Area: St. Cloud MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2	0%	0%	100%	0%	0%
Population by Geography	8,538	0%	0%	100%	0%	0%
Owner-Occupied Housing by Geography	2,759	0%	0%	100%	0%	0%
Businesses by Geography	511	0%	0%	100%	0%	0%
Farms by Geography	167	0%	0%	100%	0%	0%
Family Distribution by Income Level	2,355	15.03%	18.56%	25.86%	40.55%	0%

Distribution of Low- and Moderate-Income Families throughout AA Geographies	791	0%	0%	100%	0%	0%
Median Family Income	= \$69,359	Median Housing Value = \$175,234				
FFIEC Adjusted Median Family Income	= \$70,000	Unemployment Rate = 4.2%				
Households Below the Poverty Level	= 8.64%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 Updated ACS U.S. Census, and 2017 FFIEC updated MFI.

FNB Milaca has a main office located in Milaca, MN, one branch office located in Isle, MN, and one branch office located in Gilman, MN. The offices are located in Mille Lacs and Benton counties – approximately 65 miles northwest of the Minneapolis-St. Paul area. The bank also has five ATM locations. None of the ATMs accept deposits.

FNB Milaca has two separate AAs – the Minneapolis MSA AA (or Milaca AA) and the St. Cloud MSA AA (or Gilman AA). The Minneapolis MSA AA consists of four CTs in Mille Lacs County and one CT in the southwest portion of Aitkin County. The bank refers to this AA as the Milaca AA. In 2016, the Minneapolis MSA AA consisted of four CTs in Mille Lacs County that were moderate income and one CT in Aitkin County that was middle-income. However, the 2015 ACS U.S. Census changed the 9705.01 CT located within Aitkin County from middle- to moderate-income. As a result, in 2017, all five CTs in the Minneapolis MSA AA were moderate-income tracts. In terms of the second AA, the St. Cloud MSA AA consists of two CTs in the northeast portion of Benton County. The bank refers to this AA as the Gilman AA. Both of the CTs in the St. Cloud MSA AA were middle-income CTs in 2016 and 2017. The bank’s AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income tracts.

Per the Bureau of Labor Statistics, the average unemployment rate for Mille Lacs County was 5.99 percent and 5.67 percent in 2016 and 2017, respectively. The average unemployment rate for Benton County was 4.46 percent and 4.18 percent in 2016 and 2017, respectively. Both of these counties had higher average unemployment rates than the state of Minnesota, which had rates of 3.9 percent and 3.5 percent in 2016 and 2017, respectively.

As part of this review, we contacted a local community contact to gain a better understanding of the credit needs and opportunities in the AAs. The contact said the Milaca area continues to have stagnated growth. However, in recent years, there has been some commercial growth with the largest employer expanding and recently purchasing additional industrial land. The major employers in the area continues to be the school district and Heggie’s Pizza. The contact said that most of the people that work in Milaca commute into the town, while residents that live in Milaca commute to the St. Cloud or Minneapolis area to work. The majority of the full time residents in the area consist of retirees. The contact noted that FNB Milaca and other local banks are meeting local credit needs of the community.